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Management of the supply chain



GOAL: *Ensure the sustainability of all production plants and groups forming the company's supply chain, and production traceability.*

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 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.

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

PROJECT FOR IMPLEMENTATION OF THE SRP STANDARD (INDIA)

During 2017, our subsidiary Ebro India embarked on a pilot project together with Rainforest Alliance (<https://www.rainforest-alliance.org/business/es>) to implement the SRP standard with a group of ecological growers in the North of India, specifically in Lakhimpur, Uttar Pradesh. This programme consists of three separate stages - assessment, training and implementation - and will run into 2018.

PARTICIPATING GROUPS	NO. OF GROWERS	AREA SOWN
Lakhimpur-III (9 hamlets)	281	378 Ha
Lakhimpur-IV (16 hamlets)	494	492 Ha
Total	775	870 Ha

SAIRISI PROJECT (ITALY)

Under the umbrella of the SAI Platform (<http://www.saiplatform.org/>), the SAIRISI project began in 2016. This programme, developed in Italy by several members of the SAI-P (Ebro Foods, Unilever, Kellogg and Migros), aimed to assess growers according to the SAI-P standard and provide them with specific training, given by the Italian National Rice Research Centre (ENTERISI) and professionals in the sector (universities, NGOs, etc.) to improve their performance.

During 2017, we increased the number of growers receiving training to 140 and the programme was developed on two levels: one for beginners, with three training sessions on soil preparation, sowing, precision growing, etc.; and another more advanced (for those who were participating for the second year), with two master classes given by the University of Turin and the University of Milan on nutrients & fertilisation and water management. Both courses were completed with four field trips and a strategic meeting to define the goals for 2018-2020.

FARM SUSTAINABILITY ASSESSMENTS

Through our Spanish subsidiary Herba Ricemills, we have made a new assessment on a representative sample of the growers who supply rice in Seville for our Brillante brand, based on the sustainable crop standard of the SAI Platform. The samples in this assessment were rated very highly: 90% were rated GOLD and the remaining 10% SILVER, classifying the Sevillian rice-growing region as one of the most sustainable in the world. This assessment entitles us to renew the Gold Quality seal on the packaging of Brillante rice.

We also assessed under the SAI standard a group of growers in Arkansas who supply rice for our subsidiary Riviana. The results were also very satisfactory there, with 70% obtaining the GOLD rating and 30% the SILVER rating.

The Ebro Group considers rice sustainable at or above the SILVER category.

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 (EBRO DELTA)

The LIFE EBROADMICLIM Project led by the Institute for Research and Technology in Food and Agriculture (IRTA) concluded in 2017. This programme, in which we participated along with Kellogg between 2015 and 2017, aimed to identify strategies to mitigate greenhouse gas emissions by using alternative water management systems in different fields of growers in the Ebro Delta region. The most widespread predictive model in agriculture is the Cool Farm Tool, but through this novel study made by IRTA, differences were found between the real GHG emissions in the Ebro delta fields and those predicted by the model, developed mainly in Asia. Therefore, it is now being considered whether that tool could be adapted to the peculiarities of the rice crop, or whether a new predictive model needs to be developed exclusively for this cereal.

BIODIVERSITY MANAGEMENT PROJECT (EBRO DELTA)

The programme consisted in studying biodiversity management for the benefit of the rice crop and its sustainability in the Ebro Delta. It was carried out by researchers from the Institute for Research and Technology in Food and Agriculture (IRTA), in collaboration with Kellogg and the Ebro Group.

The study, carried out in 2017, concludes that the measures most highly valued by the agricultural community and most effective in enhancing biodiversity were some of those promoted by Kellogg's Origins® sustainable agriculture programme and applied by the growers in the Ebro Delta in recent years: planting 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.

EKTA PROJECT (INDIA)

The EKTA (*Ebro Kissan Training and Awareness*) programme, begun in 2015 and led by our subsidiary Ebro India, was extended in 2017 to 50 villages (compared to 36 in 2016), involving around 3,500 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 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.

A visit to Haryana University was also organised for a large group of 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.

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

By the end of 2017, 30% of our suppliers had fully or partly completed this process.

Details of our supply chain

The information reported in this section only takes into account the supply chains of agricultural raw materials (rice, durum wheat and quinoa) 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

Quinoa is mainly purchased from mills, and in a smaller portion, from farmers and cooperatives.

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



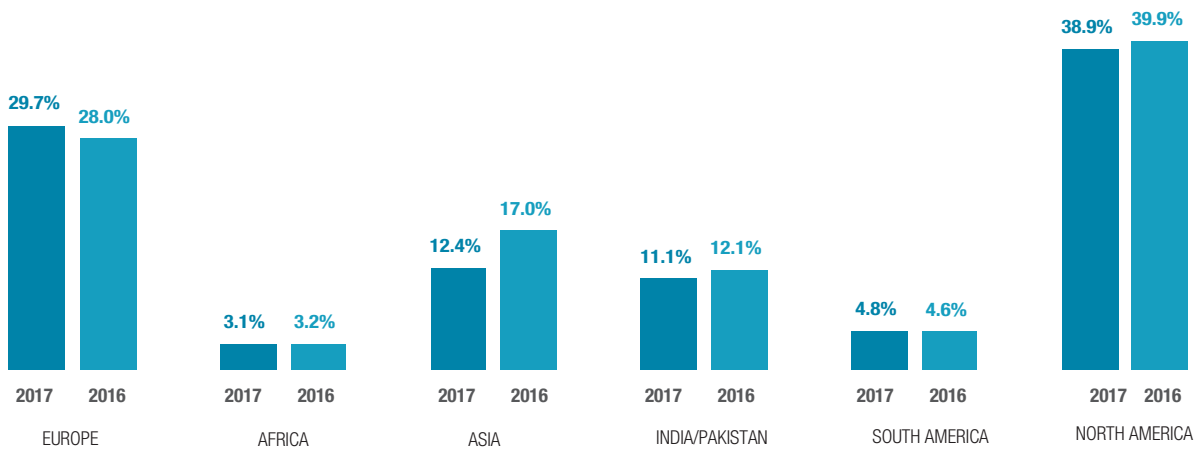
Volumes by origin

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).

	2016	2017
	Tonnes	Tonnes
Europe	451,816	426,126
Africa	47,632	49,226
Asia	188,178	257,791
India/Pakistan	168,533	184,184
South America	72,456	69,815
North America	591,867	606,563
TOTAL	1,520,483	1,593,705

FIGURE 1: Rice sourcing - Origins (%)

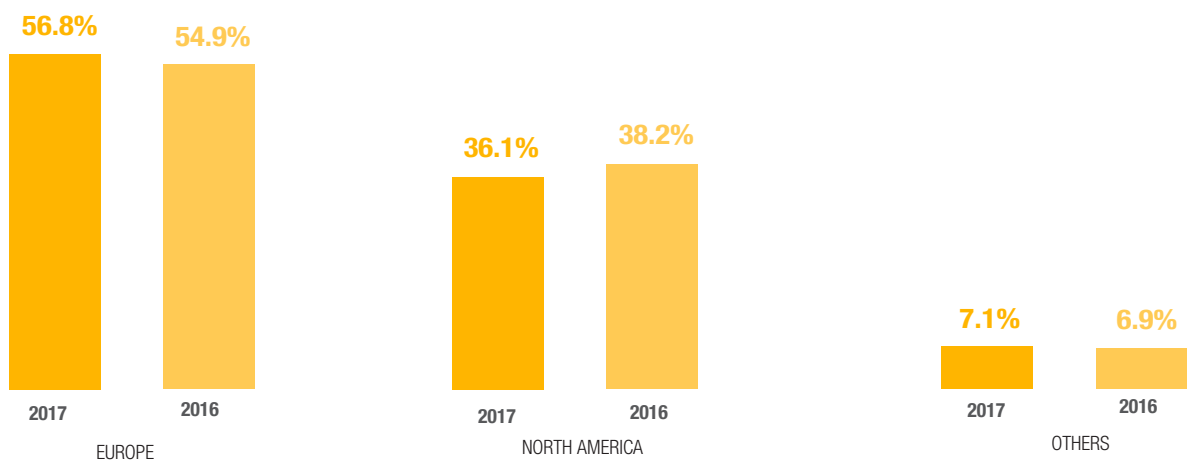


DURUM WHEAT

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. (see Fig. 2).

	2016	2017
	Tonnes	Tonnes
Europe	481,418	453,518
North America	305,764	315,828
Others	59,828	56,800
TOTAL	847,010	826,146

FIGURE 2: Wheat sourcing - Origins (%)

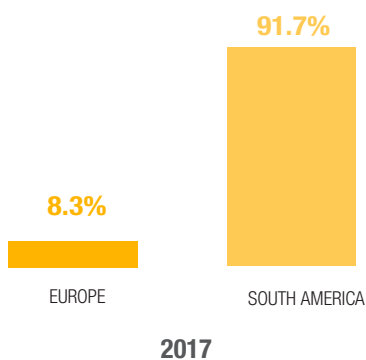


QUINOA

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

	2017	
	Tonnes	%
Europe	298	8.3%
South Am.	3,272	91.7%
TOTAL	3,570	100%

FIGURE 3: Quinoa 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. 4).

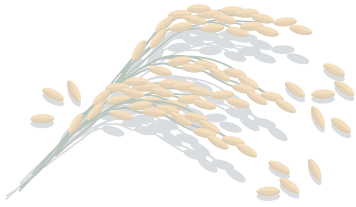


FIGURE 4: Rice sourcing - 1st tier suppliers (%)

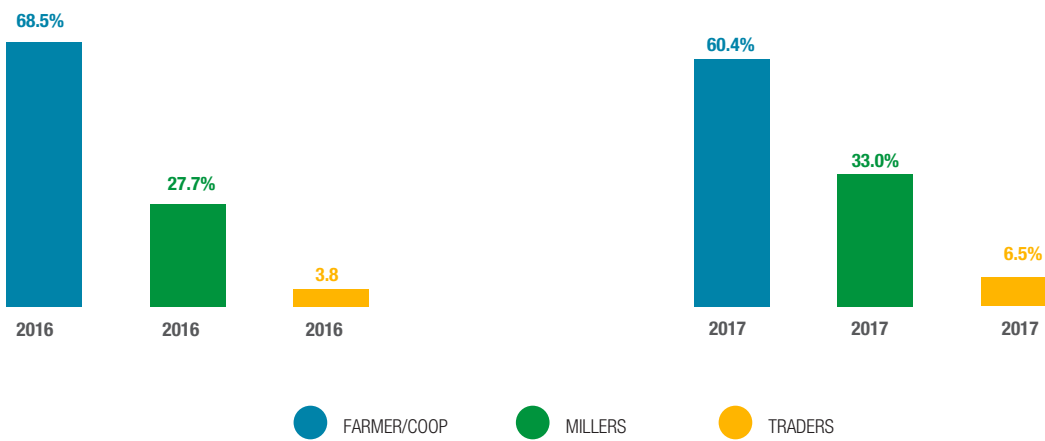
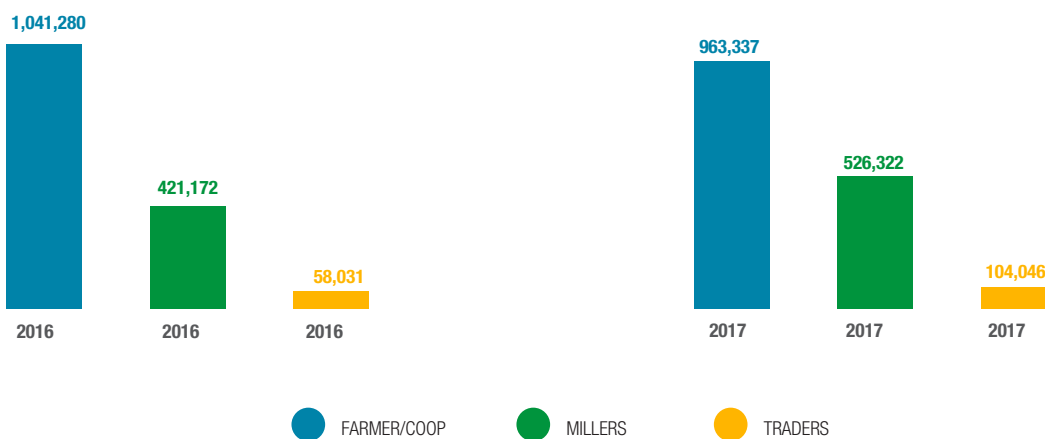


FIGURE 4: Arroz - Rice sourcing - 1st tier suppliers (t)



At a disaggregated level, this volume/supplier distribution varies considerably from one geographical region to another, but remains relatively constant for each region between 2016 and 2017 (see Fig. 5).

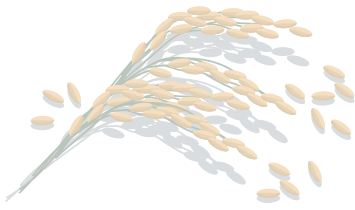


FIGURE 5: Rice sourcing - 1st tier suppliers (%)

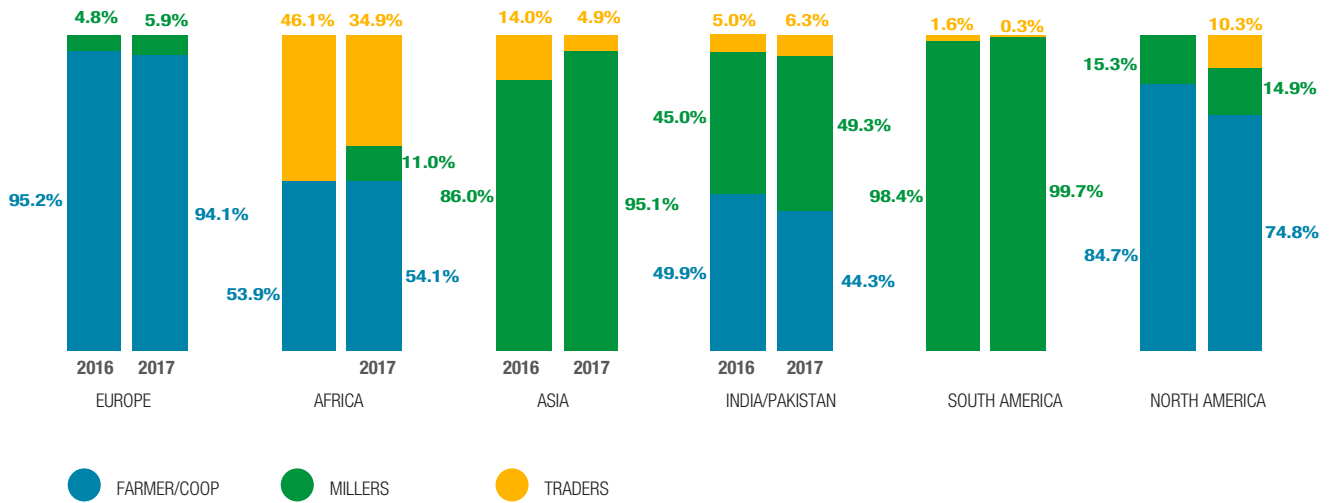
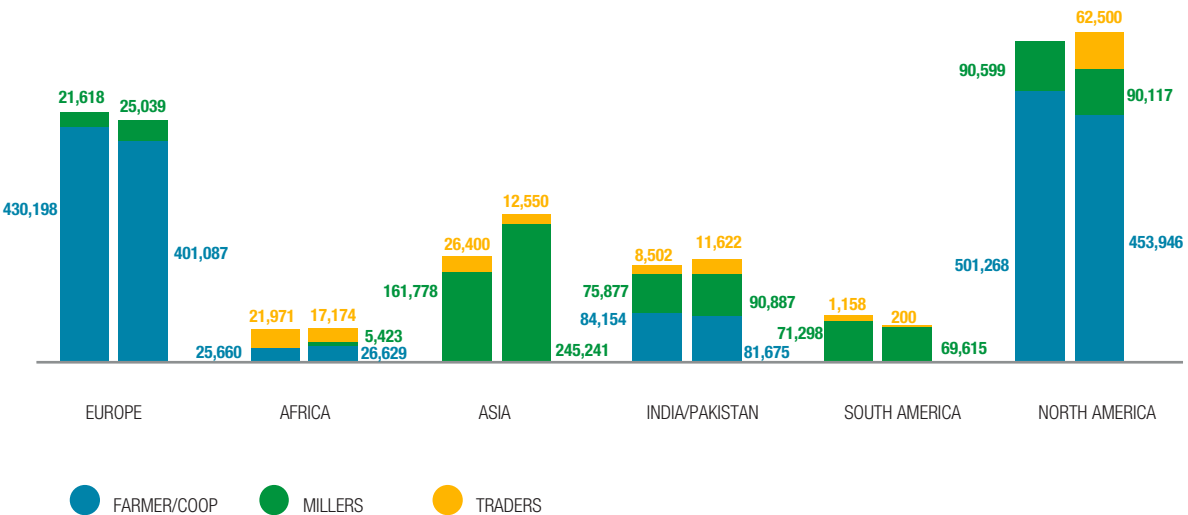


FIGURE 5: Rice sourcing - 1st tier suppliers (t)



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 (%)

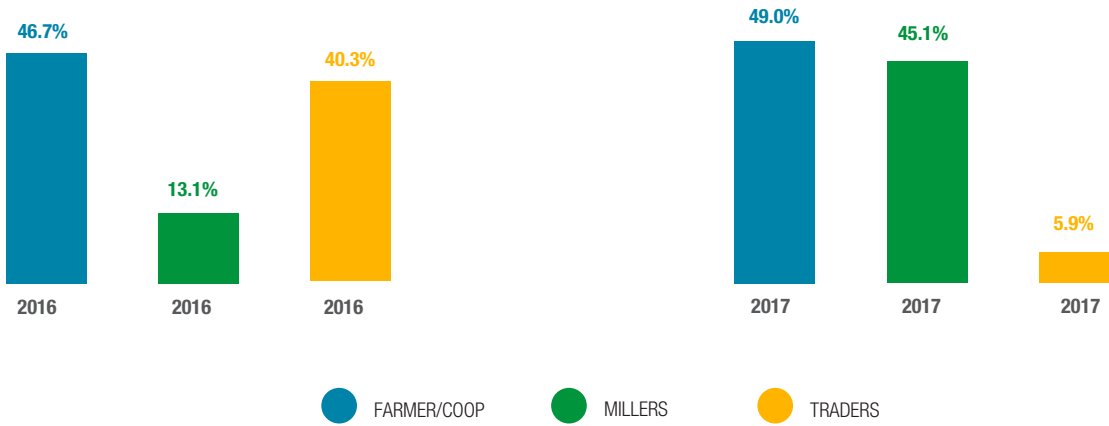
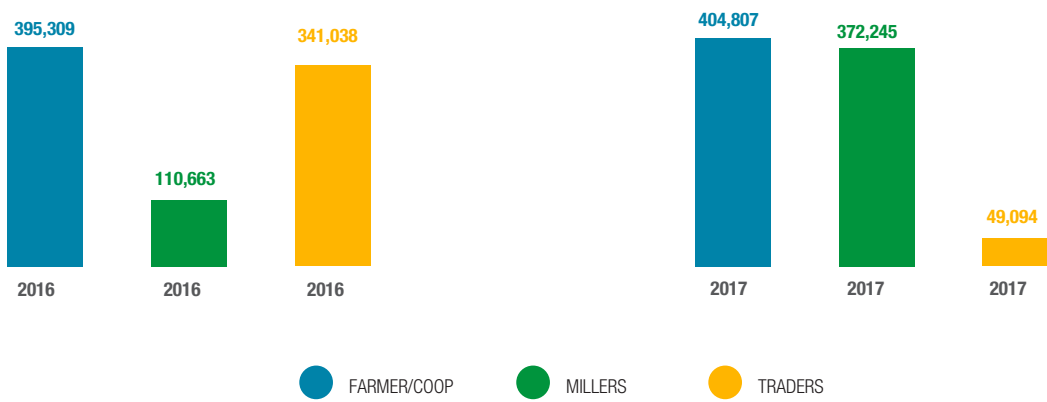


FIGURE 6: Wheat sourcing - 1st tier suppliers (t)



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

FIGURE 7: Wheat sourcing - 1st tier suppliers - Origins (%)

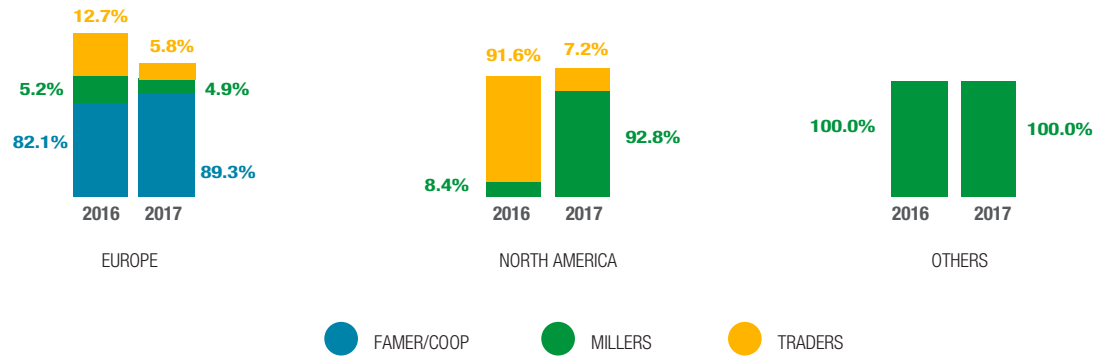


FIGURE 7: Wheat sourcing - 1st tier suppliers - Origins (t)



QUINOA

In 2017 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 - 1st tier suppliers (%)

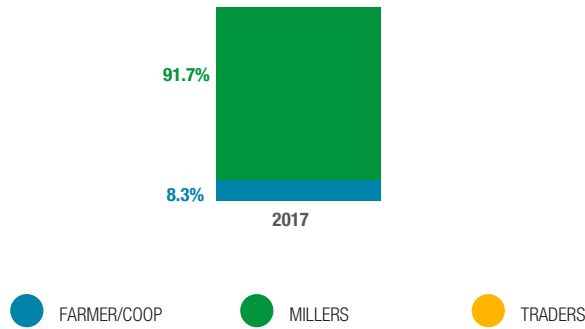
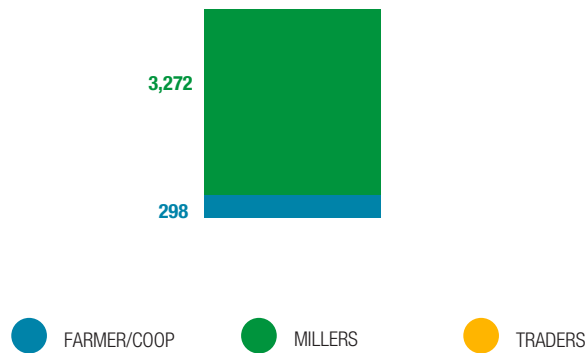


FIGURE 9: Quinoa sourcing - 1st tier suppliers (t)



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: Quinoa sourcing - 1st tier suppliers - Origins (%)

