



**PROGRESS  
REPORT  
2018**



**Natra**

**2020 COMMITMENT  
TO CORPORATE  
SOCIAL  
RESPONSIBILITY**





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**CEO'S STATEMENT**





I am pleased to present our Progress Report for 2018, containing information on the most important environmental, labour and social aspects for Natra and our stakeholders, through which we renew our commitment to the ten principles of the UN Global Compact.

During 2018, we celebrated the 75th anniversary of our company, immersed in our Transformation Plan, which we had begun in the previous year seeking to adapt our business to the evolution of the market and consumers and to boost the company's sustainable growth.

Continuing the trend of the previous year, our economic performance during the year was positive, posting EBITDA of EUR 34.3 million, up 51% from the EUR 22.7 million recorded in 2017. This improvement was achieved through an increase in business activity, management of commodity hedges, favourable circumstances in the raw materials market and the cost-cutting measures put in place in 2017.

2018 closed with a profit of EUR 23 million, contrasting with the loss of EUR 9.9 million sustained in 2017. Our turnover also rose 3% year on year to EUR 379 million.

In the area of ethics management and compliance, we have worked particularly hard on adapting the Group companies to recent European data protection law (General Data Protection Regulation, GDPR) and developing and updating several policies and procedures.

During the year, we set up a new organisational structure and implemented certain actions to strengthen our corporate identity and culture and the human resources management system. In this context, we have refreshed the Group's vision, mission and values, which will help to consolidate our brand while offering stakeholders a new image.

Investment in R&D and innovation has continued to focus on the launching of differentiating, high quality products aimed mainly at consumers seeking healthy products or with specific nutritional needs.

Our aim with regard to the environment is to achieve a global, common approach for the entire organisation. Although we still have some way to go, several actions were implemented during 2018 to enhance energy efficiency and savings, recycle packaging and reduce CO2 emissions.

We maintain our resolute determination to buy high quality raw materials that are grown ethically and sustainably, promoting the consumption of sustainable products among our customers. An assessment was made in 2018 of the sustainability programmes of our principal cocoa suppliers, with very positive results.

We make a valuable contribution to the social and economic development and improvement of the quality of life in the countries where we source our principal raw materials.

In addition, our plants have supported different social initiatives, such as donation of their products or the sponsoring of sports activities.

All these achievements have been made possible by a team of over 1,000 people, whom I would like personally to thank for their work and commitment to Natra's business project.

**Dominique Luna Tudela**  
Chief Executive Officer





## INTRODUCTION

This report complies with the requirements of the international Global Compact initiative, of which Natra is a signatory.

Natra has been issuing Progress Reports since 2012, published annually on its corporate website and the Global Compact site. In this document, we inform on how the company incorporates the ten principles regarding human rights, labour, environment and anti-corruption into its strategy and management.



## 2020 COMMITMENT

Natra has a corporate social responsibility plan called “2020 Commitment”, structured into five areas of action: sourcing, environment, healthy nutrition, the Natra team and the community. We also have a CSR Committee, whose main responsibility is to establish the Group’s targets in this area and monitor their fulfilment. The current members of this committee are the Chief People Officer, the Chief Sourcing Officer, the Food Safety & Quality Director and the Internal Audit, Risks and Compliance Director.

A number of goals with the 2020 horizon have been established for each area of the CSR plan, as shown in the following table:

2020 COMMITMENT	GOALS
<b>SOURCING</b>	Promote the use of certified cocoa among our customers.
	Promote certification among cooperatives of cocoa producers with whom we do business.
	Participate in not-for-profit organisations that promote protection of the cocoa farmers and their families, and efficient organisation of the cooperatives into which they are grouped.
	Publish annually information on the source of the cocoa, indicating what proportion of the total has been certified and by whom.
<b>ENVIRONMENTAL PROTECTION</b>	Buy 100% of the palm oil we use from plantations compatible with survival of the tropical forests.
	Foster rational use of natural resources, placing special emphasis on reducing water and energy consumption.
	Measure our carbon footprint.
	Buy green energy whenever possible.
	Use cardboard from environmentally appropriate and socially beneficial management.
	Promote the recovery and use of all waste and residues generated.
<b>NATRA TEAM</b>	Inform on the labour indicators of health, safety and training.
	Design, standardise and promote group-wide human resources policies.
	Maintain employee retention rates and improve them if necessary.
<b>CONCERN FOR THE COMMUNITY</b>	Step up collaboration with organisations that work directly to enhance the well-being of people in the cocoa-growing countries where we source our raw materials.
	Establish continuous collaboration with local food banks.
	Continue promoting sponsorship of sports and healthy lifestyles.
<b>HEALTHY NUTRITION</b>	Eliminate trans fats.
	Progressive replacement of artificial aromas with others that are 100% natural.
	Develop low-sugar alternatives.
	Avoid the use of artificial colouring.

During 2018, Natra updated its material issues in sustainability. To do this, we had an external analysis done to identify the aspects that were most important for our stakeholders, with a comprehensive analysis of Act 11/2018 and the material issues of other companies in the sector, as published in their sustainability reports.

In the second stage, the material issues were prioritised by the members of Natra’s Corporate Social Responsibility (CSR) Committee, according to their level of impact on our business.

On conclusion of this process, we had the following material issues, listed in order of importance.

## PRIORITISED LIST OF MATERIAL ISSUES

ASPECT	MATERIAL ISSUE
Health and safety of consumers	Food safety, quality and innovation
Labour	Health and safety: occupational hazard prevention
Supply Chain	Responsible supply chain
Environment	Environmental footprint
Compliance	Compliance system
Labour	Commitment to employees. Promotion of stable, quality employment
Environment	Efficient use of resources
Environment	Waste generation
Communities	Impact on local communities
Health and safety of consumers	Healthy products
Labour	Talent and diversity. Training and fostering of equal opportunities
Health and safety of consumers	Promotion of well-being and healthy habits





## NATRA'S BUSINESS MODEL

Natra is a Spanish multinational with 75 years of history and one of the leading European producers of chocolate confectionery and cocoa products, especially for private label and other food companies.

Natra's consumer division produces chocolate snacks, chocolates and truffles, tablets/slabs and spreads, which we sell in 92 countries on the five continents.



Our industrial division supplies cocoa products (mainly cocoa powder, butter and mass, and couverture) for other food industries.

The company has six specialised production plants in Spain, Belgium, France and Canada and permanent commercial delegations in Europe, USA, Canada and Asia. 75% of the company's turnover comes from outside Spain.

Natra's shares are traded through the electronic trading systems of the Madrid and Valencia stock exchanges and the company also holds a shareholding interest in Laboratorio Reig Jofre, a pharmaceutical company specialising in the marketing of medicinal products and food supplements.

During 2018 we celebrated our 75th anniversary, immersed in the implementation of our Transformation Plan, begun in the previous year, seeking to adapt our business to the evolution of the market and consumers and to boost the company's sustainable growth. Within this plan, the company's new organisational model was set up with a new management team.

Natra's new strategic plan is customer-centric, making customers the focal point of our business and value creation, with greater investment in R&D and innovation to launch differentiated, higher quality and more cost-effective products on the market, aimed at specific customers in key segments of our business. More than EUR 3,254 thousand has been invested in this transformation plan.

Our new growth strategy contemplates an efficiency plan to increase plant productivity, making us more competitive.

With regard to the outlook for the year ahead, Natra believes the chocolate market will continue to grow and the concentration process will be ongoing in the chocolate industry. As regards consumers, Natra expects continued growing demand for healthy and organic products.



## NATRA IN FIGURES. HIGHLIGHTS 2018

At year-end 2018, Natra posted EBITDA of EUR 34,258 thousand, up 51% from EUR 22,684 thousand in 2017. This improvement was achieved through an increase in business activity, management of commodity hedges, favourable circumstances in the raw materials market and the cost-cutting measures begun in 2017.

The company closed the year with a turnover of EUR 379,010 thousand, with year-on-year growth of 2.53%.

The distribution of sales by region is as follows:

- Europe: EUR 290,431 thousand
- America: EUR 49,517 thousand
- Rest of world: EUR 39,062 thousand

Natra has achieved a substantial improvement in its EBITDA-to-sales ratio (EBITDA margin), which rose from 6% in 2017 to 9% in 2018.

The contribution margins had a very positive evolution in both divisions during 2018. 2018 closed with a profit of EUR 23,010 thousand, contrasting with a loss of EUR 9,889 thousand in 2017.

New debt was reduced by EUR 9,188 thousand to EUR 129,584 thousand, mainly through the generation of earnings and the conversion of bonds.

At 31 December 2018, the Group complied with the financial covenants included in its Master Restructuring Agreement.





## MANAGEMENT OF NON-FINANCIAL RISKS

Adequate risk management is vital for the Group, as it provides security for meeting the company's goals, contributes value and a high level of assurance for the interested parties. In Natra, risk management is a process promoted and guided by the Board of Directors and the Audit Committee.



The Natra Risk Policy establishes the basic principles, the key risk factors and the general framework for management and control of the risks to which the Group is exposed.

The risk management system is based on the methodology established by COSO II (Committee of Sponsoring Organizations of the Treadway Commission) and covers all the important areas and processes of the company.

Natra has an Internal Audit, Risks and Compliance Department, which is responsible for detecting, analysing, assessing and monitoring short, medium and long-term risks that might hamper achievement of the Group's goals. The department constantly identifies and assesses risks, keeping the corporate risk map up to date. That map contemplates all the types of risk that impair or may impair achievement of our strategic, operational, financial and compliance goals. Each of those risks is rated according to the probability of occurrence and possible impact, and several controls are put in place to mitigate them. The evolution of risks and compliance with the controls is checked regularly. Among its non-financial risks, Natra has identified as short-term risks those associated with the supply chain and its environmental impact and those relating to food safety and quality, and to health and safety at work. For the former, we visit suppliers at source to check that they meet the requirements regarding working conditions, child labour, eco-friendly techniques, etc. and we participate in associations that promote the sustainable sourcing of raw materials such as cocoa, hazelnuts and palm oil.

As far as our environmental impact is concerned, apart from having an environmental management system in Natra Cacao, we source only certified raw materials, as indicated in the chapter on Sourcing. Natra recognises changes in consumer habits, political and social risks in cocoa-supplying countries and concentration of the supply chain as medium-term risks. To mitigate those risks, Natra focuses on innovation and diversified sourcing.

Finally, Natra identifies institutional risks in the country of origin as long-term risks.







## **ETHICS MANAGEMENT AND COMPLIANCE**

### **CORPORATE CULTURE**

Aware of the importance of having a strong corporate culture aligned with our values and adapted to Natra's current situation of transformation, flexibility and growth, in 2018 we updated our mission, vision and values, which are set out below:



## MISSION

We deliver outstanding chocolate and cocoa solutions for the leading retailers & branded manufacturers, with excellence, safety, high quality standards and passionate people, contributing to make worldwide consumers' dreams come true.

## VISION

Spreading our passion for chocolate around the world.

## VALUES

### INTEGRITY

We are honest and transparent, with solid principles. We commit with our work and communicate with each other constantly.

### EXCELLENCE

We set challenging goals above standards, maintaining and improving high levels of performance.

### TEAMWORK

We work together to achieve our objectives, sharing information, supporting and recognizing the contribution of each member of the organization to the common goals.

### INNOVATION

We truly believe our talented people can create solutions to transform the organization, our market and the society.

### ENTREPRENEURSHIP

We create and promote new ways of doing things and new opportunities for the business to grow.





# ETHICS

## WE ALSO HAVE A RISKS AND COMPLIANCE COMMITTEE WITH THE FOLLOWING REMIT:

- Definition and validation of duties, powers and responsibilities within the Compliance Model.
- Contribution towards enhancing the processes for management, control, prevention and detection of non-compliance, ensuring effective, independent supervision of the Compliance Model.
- Assessment of the response given to cases of non-compliance and determination of the need to implement new controls.

**Ethics and compliance are fundamental pillars of Natra's corporate values and culture.**

The company has a Code of Ethics, approved in 2017, which was distributed among and ratified by the entire workforce during 2018. The Code indicates what conduct is not acceptable in our Group, including corruption and bribery.

In the same line, Natra has several internal policies and procedures in place to prevent corruption and bribery, such as the sourcing procedure, the procedure on accepting and giving gifts, the ethics channel and the internal code of conduct.

In addition, the company's compliance policy provides the necessary mechanisms to enable the Group to ensure compliance with laws and regulations, self-regulation systems and any other commitments to our consumers, customers, employees, suppliers, shareholders, allies and society at large, contributing value and a high level of guarantee.

## ETHICS MANAGEMENT AND COMPLIANCE SYSTEM

The Risk and Compliance Committee reports to the Audit Committee, which is responsible for supervising the efficiency of the Compliance Management System and analysing grievances reported through the Group's Ethics Channel.



## PRINCIPAL ACTIONS IN 2018

In line with the actions taken during the previous year, the Internal Audit, Risks and Compliance Department continued working in 2018 to strengthen the company's ethics management and compliance system, through the following initiatives:

- Adaptation of the Group companies to current European data protection law (General Data Protection Regulation, GDPR)
- Development and update of several policies and procedures:
- Update of the Regulations of the Audit Committee and the Board of Directors.
- Drafting and approval of the policy for selecting directors, the procedure for accepting and giving gifts (signed by all employees), the procedure for management and response to complaints reported through the ethics channel and the financial reporting internal control system policy.

In the wake of the structural changes within the Group, it was decided to postpone updating the criminal risk map in order to adjust the work to the company's new situation and process structure. In the coming year, we will also be developing internal policies and procedures, such as those deriving from the requirements of the new Non-Financial Information and Diversity Act and the new European law on the ingredients of vegetable oils, among others.

## ETHICS CHANNEL

Natra has an Ethics Channel, through which anyone from inside or outside the company can inform the Ethics Committee of any alleged non-compliance or unethical conduct by an employee of the Group. No complaints were received during 2018.

In addition, Natra developed and approved the management and response procedure for complaints received through the Ethics Channel, defining the lines of action by the internal response management system to non-compliance or irregularities in respect of the Natra Group Code of Ethics and any non-compliance or irregularity of the company's internal and external provisions by employees, executives or directors of Natra S.A. and any of its subsidiaries.





## OUR TEAM

In Natra we are aware of the importance of having committed people who guarantee meeting our goals and targets and at the same time stand out for their talent, initiative and ability to work in a team.

Several efforts were made during 2018 to make the organisation a much more dynamic, efficient company able to adapt to the constant changes required in our business. In particular, we now have a new organisational structure and have taken certain actions to strengthen our corporate culture and identity and the human resources management system.



**The principal landmarks during the year in this area were:**

- Definition of the new corporative vision, mission and values that will help to promote and consolidate our company mark, offering our different stakeholders a renovated image. In addition, at seminars and meetings held in the different workplaces, the Natra employees defined the conduct deriving from each value and required by each target public.

This project concluded with the issuing of good practices guidelines and a roadshow by the CEO visiting all the company's plants to inform them about the new mission, vision and values, and stress their importance.

- Update of policies and implementation of new corporate policies. The company's guidelines and procedures are thus grouped within a single framework.

- Publication of the new Employee Portal "People Site", through which certain employees can handle a number of requests and requirements faster and easier.

- Design of a new HR site within the tool SharePoint, as a repository for all HR, legal and occupational hazard prevention policies and procedures. This initiative ensures that all employees have quick, easy access to those documents.

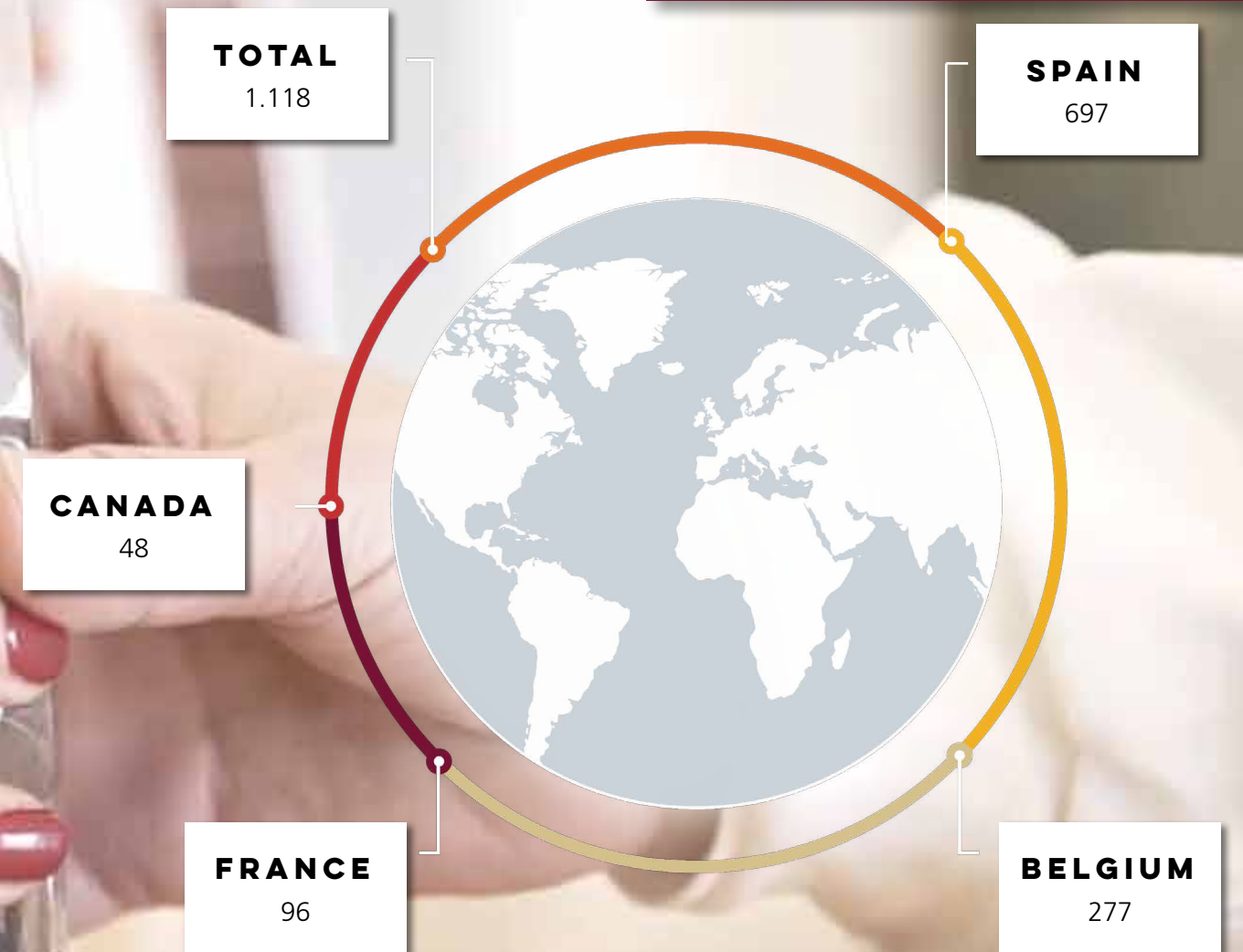
- Drawing up of a new communication plan focused on consolidating our corporate culture, achieving unified, more efficient and global communication that reaches the entire workforce and our different stakeholders, by improving our website, internal communication networks, social media, etc.

- Project to improve payroll systems are part of the process of optimising the services provided for our employees.

**PROFILE OF THE WORKFORCE**

At year-end 2018, Natra had a workforce of 1,118 employees, 7% more than the 1,044 we had at end 2017. Of the total headcount, 48% are women and the remaining 52% are men. The average headcount in 2018 was 1,084. Natra has an international profile, present mainly in Europe (96%) and Canada (4%). A large proportion of our workforce are factory employees. As regards workforce stability, in 2018 some 83% on average of our employees' contracts were permanent.

**THE KEY FIGURES OF OUR WORKFORCE AT YEAR-END 2018 ARE SET OUT BELOW.**



**The headcounts set out in this report include both permanent and temporary employees, regardless of the number of hours worked.**



# PROFILE OF THE WORKFORCE

THE KEY FIGURES OF OUR WORKFORCE AT YEAR-END 2018 ARE SET OUT BELOW.

HEADCOUNT BY GENDER	
Men	583
Women	535
Total	1.118

HEADCOUNT BY CONTRACT	
Permanent	888
Temporary	230
Total	1.118

AVERAGE PERMANENT & TEMPORARY CONTRACT BY GENDER		
Women	Men	Total
430	466	896
89	99	188
519	565	1.084

HEADCOUNT BY TAGE GROUP	
<30 years old	173
30-50 years old	665
>50 years old	280
Total	1.118

There were 24 dismissals during 2018, shown below broken down by gender, age group and professional category.

HEADCOUNT BY PROFESSIONAL CATEGORY	
Executives	9
Administrative staff	157
Technical staff	45
Commercial staff	31
Factory staff	876
Total	1.118

DISMISSALS BY AGE GROUP	
<30 years old	6
30-50 years old	16
>50 years old	2
Total	24

There were 154 new hires during 2018, 58% of whom were women and the remaining 42% men. 83% of the new hires were in Spain.

AVERAGE CONTRACT BY PROFESSIONAL CATEGORY	PERMANENT	TEMPORARY	TOTAL
Executives	9	0	9
Administrative staff	144	13	157
Technical staff	41	3	44
Commercial staff	34	1	35
Factory staff	668	171	839
<b>AVERAGE CONTRACT BY AGE</b>	<b>PERMANENT</b>	<b>TEMPORARY</b>	<b>TOTAL</b>
<30 years old	77	73	150
30-50 years old	559	93	652
>50 years old	260	22	282
	896	188	1.084

DISMISSALS BY GENDER	
Men	16
Women	8
Total	24

DISMISSALS BY PROFESSIONAL CATEGORY	
Executives	2
Administrative staff	6
Technical staff	5
Commercial staff	2
Factory staff	9
Total	24



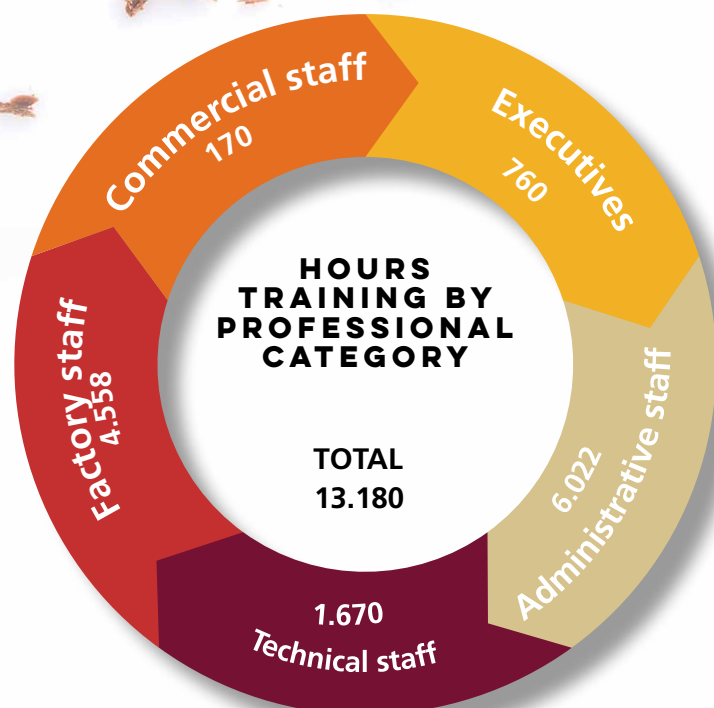
## TRAINING, MANAGEMENT OF SKILLS AND ABILITIES

The new structure and strategy of the organisation focus on talent as one of the levers of Natra's business success. Some of the key measures in this area during the year were the establishment of the Annual Training Plan, the new Performance Appraisal system and the Internal Job Posting policy.

The Performance Appraisal policy defines the procedure for the annual performance appraisal. Broadly speaking, the procedure comprises an annual meeting of each employee with their immediate boss to review the achievements during the previous year and set their objectives for the following year, which must be aligned with the goals and objectives of the organisation. This procedure applies to all office employees up to level N-3.

In 2018, some 85 employees from different areas of the company were assessed within this procedure. Natra considers employee training essential if we are to make progress in the search for excellence and quality in each of our processes. Accordingly, the new annual training plan is based on the needs and shortages we detected in certain areas, which needed to be covered in order to optimise our daily work and meet the challenges to our business. A bespoke training plan was drawn up for each plant, adapted to its specific needs.

At Natra we have continued investing in the training of our employees, focusing mainly on matters such as food safety and quality, handling of food, health and safety at work, technical specialisation, skills and languages.



## EQUALITY, NON-DISCRIMINATION AND RESPECT FOR OTHERS

Natra's Code of Ethics stipulates that the company should foster equal opportunities in all matters regarding access to employment, working conditions, training, development and promotion of professionals. It is also responsible for maintaining a working environment free from any discrimination and personal harassment of any nature, fostering non-discrimination for reasons of race, ethnicity, nationality, gender, age or disability, among others.

The recruitment policy, for example, specifies that the selection and recruitment process must guarantee finding the most adequate person for the job, heeding our commitment to equal opportunities and selection on the basis of merit and not taking into account, therefore, the nationality, race, religion, gender, disability, age or sexual inclinations of the candidates. Furthermore, our Internal Job Posting policy establishes that Natra is an equal opportunities employer that does not allow discrimination or favouritism. Another important aspect is that the salaries are established during the recruitment process, prior to commencement of the selection procedure.

Natra did not receive any complaints for harassment or discrimination during 2018. Negotiations regarding the Equality Plan at the Oñati plant began in 2018.

### DIVERSITY IN GOVERNING BODIES

Natra is strongly committed to equal opportunities for men and women. Accordingly, and in compliance with Principle 10 of Section II.3. of the Code of Good Governance of Listed Companies, the criteria for selecting directors establish the same capacity requirements for men and women in order to favour equality on the Board.

Both Article 27 of the Articles of Association, which defines the requirements for directors, and Article 7 of the Regulations of the Board of Directors of Natra, S.A. stipulate that the procedures for selecting Board members must favour diversity of gender, experience and expertise and not entail any implicit bias that may imply any discrimination whatsoever, particularly against the selection of female directors.

The policy on selection of directors also fosters diversity of experience and expertise, with the aim of having a variety of profiles that favour and contribute to meeting the Group's goals.

At year-end 2018 Natra had six Board members, two of whom were women, i.e. 33% of the total. At present, there are no directors with any kind of disability.

### DISABILITY

Natra favours a working environment that promotes equal treatment of persons. In 2018, there were 20 people with different abilities on the Natra payroll. As regards measures to enhance accessibility for persons with disabilities, the office of Natra Cacao in Valencia is considered accessible; at Oñati the activities and times that are not compatible with this group of employees are identified; and in Canada the entire workforce receives training in pursuance of the AODA (Accessibility for Ontarians with Disabilities Act).



## WORKING CONDITIONS

### Health and Safety at Work

Natra is committed to the health and safety of its employees, striving to ensure compliance with the laws and regulations on occupational hazard prevention and protection of health and safety in the workplace.

Significant progress was made in this area during 2018, through measures such as:

- Creation of the corporate Health & Safety area and appointment of a person to head it
- Definition and reporting of new indicators
- Establishment of a new Occupational Hazard Prevention Plan
- Creation of a monthly safety report
- Prevention audit every month and a half in each plant (analysis of lost-day injuries, coaching sessions, etc.)

INDICATORS	2018
FREQUENCY RATE	39,61
SEVERITY RATE	0,97

Frequency rate: Total no. lost-day injuries/Total no. hours worked\*1,000,000  
Severity rate: Total no. lost days due to injury/Total no. hours worked\*1,000

## SOCIAL DIALOGUE

The company guarantees union representation, in accordance with the customs and practice in each country. The entire Natra workforce is covered by collective agreements (in Spain, Belgium and France) or by the applicable labour laws (Canada), guaranteeing working conditions, the freedom of association and the right to collective bargaining, among others.

Workers representatives are elected through an election process. At present, the most important unions in each country are represented.

Over the year, we reviewed agreements on training, organisation of work, hand-over contracts and disease control.

## WORK-LIFE BALANCE

Although we do not have at present a formal policy to facilitate disconnection from work, specific actions are taken in Natra to help our employees achieve a balance between work and their personal and family life, such as flexitime, pooling of hours or leave for personal affairs.

There were 61 lost-day injuries in 2018 (30 men and 31 women) and no work-related fatalities.

The number of hours of absenteeism in 2018 totalled 111,709 hours, including disease and injuries.

Overall, the Natra professionals do not perform activities with a high risk or rate of occupational disease. In some plants there are some ergonomic risks (especially deriving from the handling of loads), which are unlikely to cause occupational disease (in fact, there was only one employee in 2018 diagnosed with occupational disease).





## CONCERN FOR THE COMMUNITY

Through our business activities, we help to generate progress, development and well-being wherever we operate. Natra's impact on local communities is made mainly through the creation of local jobs, our contribution to social and economic development and improved quality of life in the countries in which we source our principal raw materials, support for different causes through product donations and the promotion of healthy lifestyles.

As described in the Sourcing chapter, Natra firmly supports organisations and initiatives such as UTZ Certified or International Cocoa Initiative, focused on improving the living conditions of farmers, their families and communities, and on preservation of the environment.



## INITIATIVES WITH THE LOCAL COMMUNITY

Our plants were engaged in different projects during 2018, such as:

- Blood drives
- Collaboration with rare disease research entities
- Placement programme with the Belgian business school “Sint Jozef Brugge” for the training of young people to improve their employability
- Visits to the London plant and facilities by secondary school pupils
- Membership of the Board of Directors of Ronald McDonald House in south-west Ontario
- Participation at the Food and Beverage Assembly at Western University. In this forum, students learn about the sector and establish contact with potential employers.

## ENCOURAGING HEALTHY LIFESTYLES AND SPORT

Once again, the company continued its backing for sport and initiatives to foster healthier lifestyles. Our sponsorships in the different countries in which we operate included the following:

- KVO-Oostende football club (Belgium)
- Saint-Chamond basketball team (France)
- Local hockey team (Canada)
- Valencian Pilota Federation and Sierra de Chiva and Bellus mountain races (Valencia)
- Kirol Eskol, local school sports project (Oñati)

## DONATION OF PRODUCTS

Within our collaboration with local food banks and other social initiatives, we supported numerous organisations during 2018 by donating our products for local festivities, solidarity causes, sports and cultural events.

**37.524 KG**

**PRODUCTS DONATED BY  
OUR DIFFERENT PLANTS**



## PARTICIPATION IN FORUMS AND ASSOCIATIONS

Another area in which we interact with society is our participation in trade fairs and forums and our membership of associations mainly related with the food industry and sustainable sourcing. Among others, Natra belongs to the following organisations:

- Flanders Food
- Belgian Federation for the food industry (Fevia)
- Royal Belgian Association of the biscuit, pralines and confectionary (Choprabisco)
- Bioforum
- Association for Research in the Food and Farming Industry (AINIA)
- Federation of Cocoa Commerce (FCC)
- National Association of Cocoa Pressers (FCC)
- International Cocoa Organization (ICCO)
- Produlce
- Roundtable on Sustainable Palm Oil (RSPO)
- Belgian Alliance Sustainable Palm Oil (BASP)
- Fundación Española de Aceite de Palma Sostenible [Spanish Sustainable Palm Oil Foundation]
- International Cocoa Initiative (ICI)
- World Cocoa Foundation (WCF)

Natra also attended major international trade fairs during the year to present our new products, make contacts and find out about the latest trends. We list below the most important fairs, grouped by region:

## EUROPE

- ISM, Cologne (International Sweets Messe)
- PLMA Amsterdam (Private Label Manufacturers Association)
- SIAL Paris (Salon International de l'Alimentation)
- IFT Frankfurt (Food Ingredients Global)
- Chocovision Davos

## AMÉRICA

- ECRM Store Brands, Chicago
- ECRM Commercial Food Service, Orlando
- PLMA Chicago
- IFT Las Vegas

## PACIFIC ASIA

- Wabel China, Shanghai



## DIALOGUE WITH STAKEHOLDERS

We have a permanent commitment to dialogue with our principal internal and external stakeholders, listening to them and understanding their concerns and expectations, while building up trust with all of them.

We offer the following channels to respond to those concerns and guarantee that we will generate value for them all.

STAKEHOLDER	CHANNEL FOR DIALOGUE
EMPLOYEES	Opinion polls among employees
	Internal communication e-mails
	Noticeboard
	Ethics channel
	Suggestion box
CUSTOMERS	Digital information screen
	Commercial channels
	Handling of claims
SHAREHOLDERS AND INVESTORS	Trade fairs
	Assistance to shareholders
	Annual Accounts
SOCIETY AND COMMUNITY	Progress Report on 2020 Commitment
	Collaboration in social projects
	Collaboration with NGOs

The 17 SDGs of the 2030 Agenda for Sustainable Development define a vision to end poverty in all its forms, hunger and inequality and preserve the natural resources of the planet before 2030.

Our 2020 commitment is strongly aligned with those challenges. Through certain actions, we are producing an impact and making a positive contribution towards the achievement of some of the Goals, as described below:

SUSTAINABLE DEVELOPMENT GOALS	SOME OF NATRA'S INITIATIVES IN 2018
Goal 2. End hunger, achieve food safety, improve nutrition and promote sustainable agriculture	<ul style="list-style-type: none"> <li>• Obtain food safety and quality certifications (IFS, BRC, FSSC 22000)</li> <li>• UTZ and RSPO certifications</li> <li>• Sustainable sourcing of cocoa, oil and hazelnuts</li> <li>• Membership of organisations that promote sustainable sourcing (UTZ Certified, Roundtable on Sustainable Palm Oil...)</li> <li>• Donation of products to food banks</li> </ul>
Goal 3. Ensure healthy lives and promote well-being for all at all ages	<ul style="list-style-type: none"> <li>• Innovation and development of healthy products</li> <li>• Collaboration with sports initiatives</li> </ul>
Goal 4. Guarantee inclusive, equitable, quality education and promote learning opportunities for all at all stages of life	<ul style="list-style-type: none"> <li>• Investment in employee training</li> <li>• Collaboration with the Amigo Foundation (Ivory Coast)</li> <li>• Equality and diversity policies</li> </ul>
Goal 7. Ensure access to affordable, reliable, sustainable, modern energy for all	<ul style="list-style-type: none"> <li>• Energy efficiency initiatives</li> <li>• Solar panels</li> </ul>
Goal 8. Promote sustained, inclusive, sustainable economic growth, full and productive employment and decent work for all	<ul style="list-style-type: none"> <li>• Tumaco Project (Colombia)</li> <li>• Commitment to local employment</li> </ul>
Goal 9. Build resilient infrastructure, promote sustainable industrialization and foster innovation	<ul style="list-style-type: none"> <li>• Collaborative innovation projects to develop healthier products</li> </ul>
Goal 10. Reduce inequality within and among countries	<ul style="list-style-type: none"> <li>• Collaboration projects in Colombia and Ivory Coast</li> </ul>
Goal 12. Ensure sustainable consumption and production patterns	<ul style="list-style-type: none"> <li>• Sustainable sourcing of cocoa, oil and hazelnuts</li> <li>• Membership of different organisations that promote sustainable production:               <ul style="list-style-type: none"> <li>- RSPO</li> <li>- Spanish Sustainable Palm Oil Foundation</li> <li>- Belgian Alliance on Sustainable Palm Oil</li> <li>- International Cocoa Initiative (ICI)</li> <li>- ....</li> </ul> </li> </ul>
Goal 13. Take urgent action to combat climate change and its impacts	<ul style="list-style-type: none"> <li>• Energy efficiency initiatives</li> <li>• Emission reduction targets</li> <li>• Solar panels</li> </ul>





## ENVIRONMENTAL PROTECTION

Environmental protection is one of the five pillars of Natra's corporate social responsibility. The company undertakes to help create a better quality, healthier environment by complying with the law and reducing the principal risks and impacts it produces. For this reason, targets are set at our production plants for the control and reduction of consumption (water and energy), emissions, waste and effluent.

At present, the Natra Cacao plant in Spain has an Environmental Management System certified under ISO 14001:2015. In the medium term, the Group aims to achieve a global and common focus (policy, procedures, KPIs) that will enable more coherent, efficient progress in this regard.



## SUSTAINABLE USE OF RESOURCES

## ENERGY CONSUMPTION

**KWH**

Electricity	56.873.494
Natural gas	43.453.094
Total	100.326.587

Natra's energy consumption was 100,326,587 kWh, with the following breakdown:

Since this is the first year that consolidate data are available for all the Group plants, it is not possible to compare them with the previous year's figures. Approximately 3% of the electricity consumption at the Malle plant was generated by solar panels. This represents 0.5% of the Group's total electricity consumption

## CONSUMPTION OF OTHER RESOURCES

Water (m3)	2018
Tap	83.894
Wells	76.627
Total	160.521

Water consumption totalled 160,521 m3 in 2018; 48% was withdrawn from wells.

Since this is the first year that consolidate data are available for all the Group plants, it is not possible to compare them with the previous year's figures.

The figures for Natra's raw material consumption and packaging can be found in the Sourcing chapter.

## ENERGY EFFICIENCY INITIATIVES

**Several actions were taken in 2018 to achieve energy efficiency and savings, including especially the following:**

- Replacement of old water cooling equipment and cold compressors with more modern equipment with better performance
- Substitution of LED luminaires
- Implementation of a system for monitoring gas and electricity consumption.

Owing to their higher level of environmental development, the Natra Cacao and Natra Oñati plants have implemented several energy efficiency measures in recent years, which are now bearing fruit in terms of energy savings.



## COMBATTING CLIMATE CHANGE

There is no Group strategy on climate change at present, although some plants have individual strategies. For example, the Natra Cacao plant is working on different measures to cut its CO2 emissions by 25% over the period 2016-2020.t

Total emissions of Natra were 20,728 t CO2 eq in 2018, as follows:

Emissions	t CO2 eq
<b>Scope 1</b> Consumo de gas natural	<b>8.881</b>
<b>Scope 2</b> Consumo de electricidad	<b>11.847</b>
<b>Total</b>	<b>20.728</b>

Source: Natural gas emission factor DEFRA 2018

Source: Electricity emission factors: Red Eléctrica de España (Spain), ADEME (France), International Energy Agency (Belgium and Canada)

Since this is the first year that consolidate data are available for all the Group plants, it is not possible to compare them with the previous year's figures.t

The Malle plant in Belgium avoided the emission of 54,482 kg CO2 equivalent because part of its consumption is generated by solar panels.

## WASTE MANAGEMENT

The waste generated in Natra is treated in accordance with the laws of each country, favouring recycling whenever possible.

During 2018, we recycled 44% of our packaging, broken down as follows:

Moreover, the wastage and residues from the production processes (cocoa shell, cocoa products) are used in the production of animal feed, thus minimising the possible food waste of products manufactured by the company.

	Kg	kg recycled	% recycled
<b>Aluminium</b>	<b>145.797</b>	<b>24.064</b>	<b>17%</b>
<b>Paper</b>	<b>5.418.807</b>	<b>2.580.153</b>	<b>48%</b>
<b>Glass</b>	<b>13.682.592</b>	<b>6.841.296</b>	<b>50%</b>
<b>Plastic</b>	<b>2.407.858</b>	<b>0</b>	<b>0%</b>
<b>Wood</b>	<b>963</b>	<b>0</b>	<b>0%</b>
	<b>21.656.017</b>	<b>9.445.513</b>	<b>44%</b>

## BIODIVERSITY

Overall, Natra's business activities do not produce significant impacts on biodiversity. In the sourcing of palm oil, we are committed to buying 100% of our palm oil from plantations compatible with the survival of tropical forests. In this regard, Natra belongs to several bodies that actively promote and inform on the use of palm oil, according to principles and criteria such as the Roundtable on Sustainable Palm Oil (RSPO), the Belgian Alliance for Sustainable Palm Oil (BASP) and the Spanish Sustainable Palm Oil Foundation.





## SOURCING

The principal risks currently identified in the processes related with our supply chain are commodity price volatility, supplier non-compliance or insolvency, shortage of raw materials, political and social risks and precarious working conditions in the source countries. Several controls and actions are established to minimise those risks.



In this respect, we diversify sources, use financial instruments such as futures or make in situ visits to the suppliers. We also require cocoa suppliers to provide written certification that the cocoa supplied is produced in accordance with the ILO Convention or similar and undertake to comply with the values, principles and rules for action set out in Natra's Supplier Code of Conduct, which includes, among other aspects, provisions regarding human rights.

As part of the Group's transformation plan, we worked with each of our production plants in 2018 to present the new corporate sourcing strategy and principles of action, and explain how to implement the Group's new corporate sourcing policy, which was pending final approval at year-end.

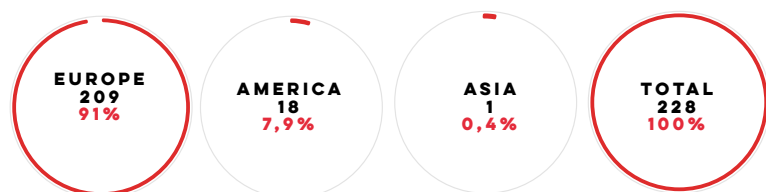
The policy lays down responsible sourcing criteria. In this respect, contracts will be awarded taking account of economic and technical criteria along with ethical and social principles (provision of decent working conditions, quality employment, hiring of workers with different abilities or firms providing jobs for the unemployed -insertion firms- and special employment centres). We also ensure compliance with prevailing law and see that procurement processes respect criteria of objectivity and impartiality, avoiding any conflict of interest or favouritism.

We work with suppliers to guarantee aspects such as food safety and quality, the price of raw materials and the level of service. In this regard, we have a procedure defining the process for selection, approval and continuous monitoring of suppliers throughout the Natra group. Natra's principal suppliers are those providing raw materials and packaging.

At year-end 2018, Natra had 228 suppliers, 154 of whom supplied packaging and the remaining 74 provided raw materials. Over the year, we purchased 123 thousand tonnes of raw materials, including cocoa and cocoa products, sugar, nuts, dairy products, oils and others. We also bought 22 thousand tonnes of packaging, including glass, paper, plastic, aluminium and wood. The majority of our suppliers are based in Europe.

Natra works with large suppliers that are certified and members of organisations such as UTZ, ICI, WCF, etc. During 2018, we assessed the sustainability programmes of our main cocoa suppliers, who represented around 60% of Natra's cocoa suppliers. We analysed compliance with different criteria related with four pillars of sustainability: quality, environment, economic and social. They all guarantee meeting criteria such as traceability, enhancement of growers' living conditions, preservation of natural resources, prevention of deforestation and prohibition of child labour, among others.

**GEOGRAPHICAL DISTRIBUTION OF RAW MATERIAL AND PACKAGING SUPPLIERS**





## SUSTAINABLE SOURCING

Natra pledges to buy quality raw materials that are grown and sold ethically and sustainably, encouraging customers to consume sustainable products.

We focus in this respect on the sourcing of cocoa, oils and nuts. With regard to origin, approximately 77% of the cocoa and cocoa products purchased by Natra in 2018 came from the African continent and around 16% from South America; 70% of the hazelnuts used were from Turkey and practically all the palm oil from Asia.

Within our 2020 commitment, Natra publishes each year the proportion of cocoa that has been certified and by whom, and the percentage of certified cocoa used in own-brand products. In 2018, certified cocoa accounted for 25% of our total procurements, having been certified by UTZ (15%), Fairtrade (9%) and Organic (1%).

Natra also supports the production of palm oil compliant with environmental, social and economic sustainability criteria, 100% of the palm oil purchased in 2018 being RSPO certified.

Our six production plants have the following certifications:

PLANT	UTZ COCOA	UTZ HAZELNUTS	RSPO
Natra Malle	✓	✓	✓
Natra Oñati	✓	✓	✓
Natra St. Etienne	✓	✓	✓
Natra Jacali	✓	✓	✓
Natra Cacao	✓	✓	✓
Natra London	✓		✓

Natra is actively committed to sustainable sourcing through programmes that guarantee product traceability and its long-term viability, particularly upholding the abolition of any form of child or forced labour, prevention of deforestation and preservation of the environment. For this reason, Natra is an active member of the principal associations and organisations in the cocoa, oil and hazelnut sector. The most important ones are:

- Federation of Cocoa Commerce
- Fairtrade International
- UTZ Certified
- Rainforest Alliance
- International Cocoa Initiative (ICI)
- World Cocoa Foundation (WCF)
- Roundtable on Sustainable Palm Oil (RSPO)
- Belgian Alliance for Sustainable Palm Oil (BASP)
- Spanish Sustainable Palm Oil Foundation

Positive impacts on the supply chain  
Natra makes a positive impact on the countries in which it operates, contributing towards the socio-economic development and improvement of the quality of life in countries that supply our principal raw materials, where we collaborate in projects aiming to improve growers' living conditions, eliminate child labour and promote social inclusion, among others. The most important action in 2018 in this regard was the launching of the Tumaco project in Colombia.

## TUMACO PROJECT

Natra is developing a programme in Tumaco (Colombia) alongside local associations, government organisations and ICEX Spain Exports and Investments, aiming to improve the quality of life of the local community and develop commercial networks that will ensure sustainable growth.

Within this project, Natra undertakes to pay a premium on the local cocoa bean market throughout the duration of the project, subject to conditions regarding quality, volume, cadmium content in beans and regular supply. On the one hand, this will help to strengthen the value chain. On the other hand, it will generate margins for cocoa farmers, allowing them to commence productive reinvestment to improve their productivity and quality levels, making cocoa farming sustainable and profitable. These imports are expected to begin in 2019.





## HEALTHY NUTRITION

### FOOD SAFETY AND QUALITY

Natra is aware of the need to guarantee maximum food safety and quality in all its products. Accordingly, we have the necessary systems and processes in place to meet the growing demands of society on food safety and quality, comply with legal obligations and guarantee maximum protection of consumers. Our products, processes and control comply with all legal provisions applicable in the countries in which we sell our products.



Natra's food safety management systems are certified under prestigious international standards such as the BRC (British Retail Consortium), IFS (International Food Standard) and FSSC 22000. The corresponding audits were passed during 2018.

PLANT	BRC	IFS	FSSC 2200
Natra Malle	✓	✓	
Natra Oñati	✓	✓	
Natra St. Etienne	✓	✓	
Natra Jacali	✓	✓	
Natra Cacao			✓
Natra London	✓		

### COMPLAINT SYSTEMS

Natra has a protocol to handle customer complaints, identify the causes and define the necessary remedial actions. The numbers of complaints received in the consumer and industrial divisions over the past two years are indicated below. All the complaints were handled correctly and most of them were closed before the end of the year.

NO. COMPLAINTS PER MILLION UNITS SOLD	2017	2018	VARIATION
Consumer division	4,6	4,2	-9%

# NUTRITION, HEALTH AND WELL-BEING

Innovation is one of Natra's strategic pillars. Investment in R&D and innovation focuses on the launching of differentiating, high quality products aimed mainly at consumers who seek healthy products and those who have specific nutritional needs.

With this aim in mind, in 2018 we invested in new equipment, facilities for the development and launching of new product ranges, and in expanding our innovation team.

The principal actions in 2018 focused on the following aspects of innovation:

- Health. With alternative products that enhance nutritional properties.
- Sustainability. With products making the smallest possible environmental impact.

- Convenience. Through presentations and packaging adapted to modern times.
- Mood. With flavours, textures and shapes that act on consumers' mood.

Natra also continued collaborating with different universities, research centres, platforms, etc. such as the University of Ghent, Azti-Tecnalia, Flanders Food, Ainia and Institute Kirchholff, among others. In addition, Natra participated in several collaborative innovation projects to develop healthier products (less sugar, more proteins...).

- New launches in 2018

The new products launched by Natra during the year were intended to respond to the latest consumer trends, offering healthier products containing less sugar, organic and with a high cocoa and nut content. For example, during 2018 we achieved nutritional improvements by developing and manufacturing organic products, reducing and replacing sugar, and reducing portion sizes to enable better control of intake.

**Among the products launched in 2018, there were:**

- Chocolate spreads and tablets with less or no sugar. These products respond to the need to reduce sugar consumption among people with specific needs and consumers who want to look after their health.
- Chocolate tablets with high cocoa content
- Spreads with high nut content
- Bite-sized snacks for better portion control
- Range of industrial chocolates and cocoa slabs with organic certification. This range is designed to meet consumer demands for more natural, sustainable products.





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# Natra

Spreading  
our passion for  
chocolate  
around the world

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