

gullón

SUSTAINABILITY ANNUAL REPORT
GULLÓN 2016



MESSAGE FROM THE PRESIDENCY AND MANAGEMENT

Dear friend,

For yet another year we are pleased to present our Sustainability Report in which we would like to share the main milestones experienced by Galletas Gullón in 2016.

We believe that 2016 has once again been a great year for Gullón thanks, to a huge extent, to the work and dedication of our employees and the trust placed in us by our customers, institutions, suppliers and, above all, consumers.

From an economic perspective the year has been positive, and once again our results have recorded an all-time high. Furthermore, we have been able to maintain our level of investment and allocate a large proportion of such investments to improving our factory. We continue to grow in terms of employment, customers and market share, both in Spain and abroad. And we continue to perform activities in the field of social responsibility, based on which we strive to give back a part of what we receive to society and to our local area.

We began the year with the approval of our three-year investment plan. In line with the policy maintained by the company in recent decades, in January the Board of Directors decided to reinvest 100% of profits into the company.

The approved investment of 50 million euros for the three-year period between 2016 and 2018 is being allocated to the expansion of the VIDA industrial plant, to the implementation of new production lines for exports and to building a specially adapted logistics centre to store products with chocolate or cream. It will also be allocated to innovation in new products within the health-biscuit sector led by Gullón in Spain.

Our research work continues with several R+D projects which seek to develop dietary or functional products, with the aim of preventing illnesses resulting from lifestyle and eating habits. To that end, Gullón allocates around 2% of its annual turnover to the R+D area.

In 2016, Gullón has continued to develop activities for the promotion of health. On one hand, by sponsoring "Health education" with specialised doctors who talk to end consumers about health related issues based on their knowledge and experience. And, on the other, by offering free online training courses in Nutrition and Diabetes, aimed at professionals within the healthcare sector.

Besides being a benchmark company in healthy eating, and from the perspective of social responsibility, we try to promote activities that help to respond to the needs of those related to the company, as well as caring for our local area.

In this sense, we want to continue to be the economic and social driving force in Palencia and the neighbouring provinces. We have been able to open up new employment opportunities, thanks to the continuous expansion of the Gullón plants in



Aguilar de Campoo. One hundred new people joined us in 2016, helping to resettle the population and to generate social and economic activity in our local area.

In terms of employment, an important milestone has been the implementation of several training programmes at Gullón, focused on the real needs of the company, and always with the company's commitment to ultimately recruit participants. Gullón's certification as a Dual Training centre is particularly noteworthy, a pioneering initiative within the food sector for young people aged between 18 and 30 who, after two years, during which they receive both classroom-based training and practical implementation at the manufacturing plant, obtain the "Gullón professionalism certificate".

With regards to the environment, we continue to work on the European project, Reemain, to improve energy efficiency and sustainable management, and we have performed an energy audit to obtain the organisation's global energy performance.

Likewise, we continue to try to engage with the families of our employees and, just like previous years, we subsidised a summer camp for all of the children of our employees who wished to participate. Furthermore, at the end of the year, on the occasion of the Christmas holidays, a children's workshop was offered to create Christmas cards with recycled elements.

On a local level, and always with a focus on promoting a balanced diet and daily exercise, we sponsor several sporting events and we offer Nutrition and Recycling Workshops at local schools to first year and sixth year primary school students, respectively.

In short, during 2016 we have been committed to creating shared value to generate a long-term positive impact in society, and we believe that we have been successful.

In the hope that this Sustainability Report is of interest to you, please accept our best regards,

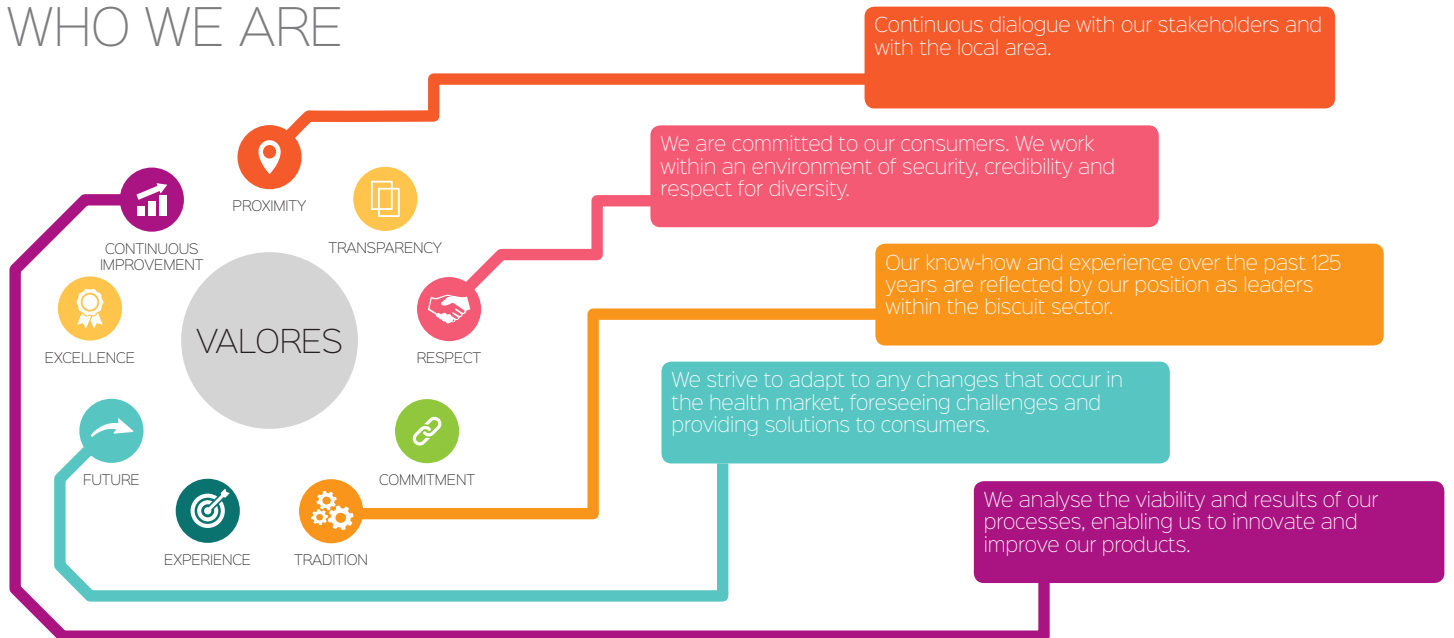
María Teresa Rodríguez Sainz-Rozas

President and CEO of Galletas Gullón

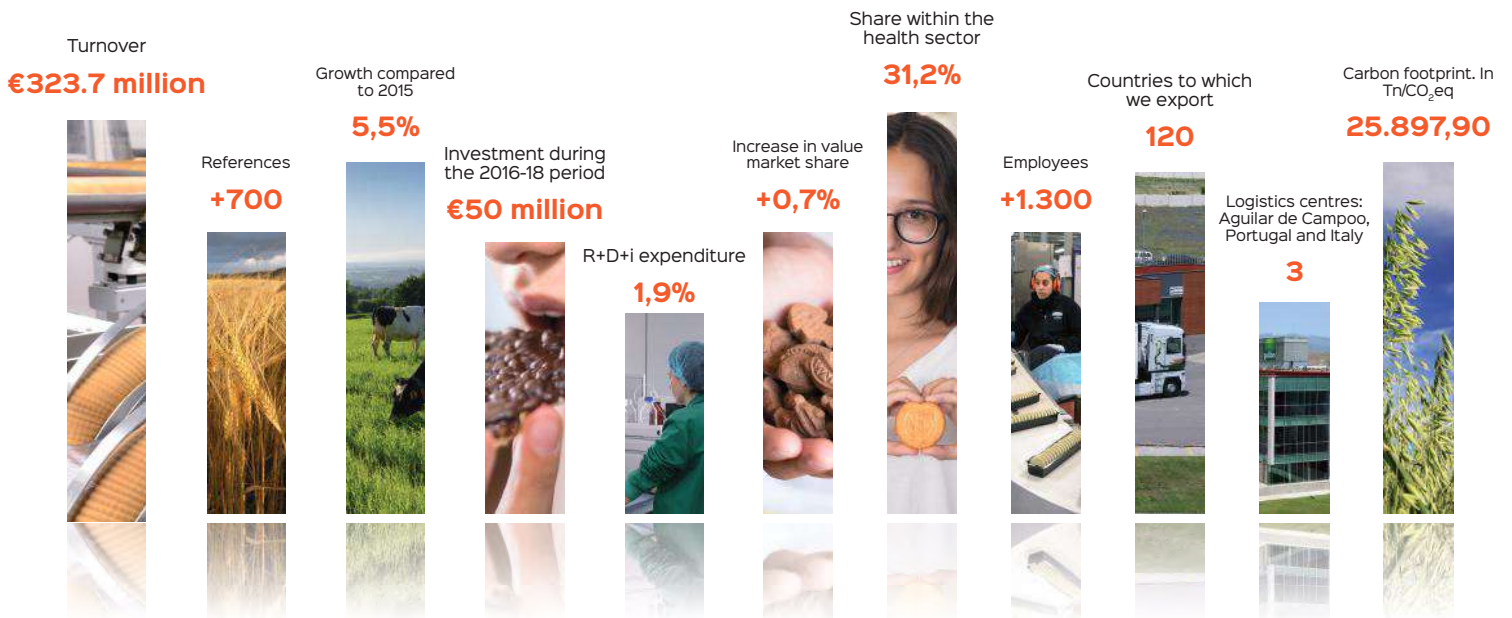
Juan Miguel Martínez Gabaldón

Managing Director of Galletas Gullón

WHO WE ARE



MAIN FIGURES



INTERNATIONAL REFERENCE



- +3%** EXPORTS GREW BY +3%
- 37%** TURNOVER RESULTING FROM EXPORTS
- 120** WE EXPORT TO 120 COUNTRIES

Our objective for 2020 is for exports to represent 50% of our turnover

HEALTH, OUR PRIORITY

Sustainable Development Objectives



Membership to different associations and regional and national organisations, of an agricultural, economic or social nature, and to quality brands with local and national promotion and marketing strategies.

PEOPLE





Collaboration with the Solidarity Fund of the Regional Government of Castilla y León

Product donations

Members of AECOC WasteFood

Online Training Courses

Classroom-based Health Education

Healthy school breakfasts

Development of new products (Gluten-Free, Devoracol)

Focus on diversity and eating issues

ASSOCIATION











VIDA, Innovation and Food Development Vertex

Calculation of the Carbon Footprint

Energy audit

Water savings

Ecodesign of our packaging

Environmental and sustainability certificates

Use of electric vehicles

Commitment to the local area

"Sustainable Life" school workshops

R+D+i European Projects

SUSTAINABILITY

JUSTICE





Code of Ethics

Local suppliers

Prevention of occupational risks

Activities with employees and families

Collective agreements

Agreements for employees

Training, entrepreneurship and employability

Investment in Health

- Personalised nutrition for the high efficiency food market
- Research, development and innovation in new functional foods for metabolic syndrome
- Health education
- Nutritional Courses



Education and training

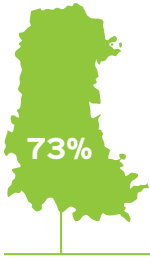
- Commitment to young people and new recruits
- Visit to the "Training Enclave"
- Healthy breakfasts, benchmark project in the region



WE ARE GULLON

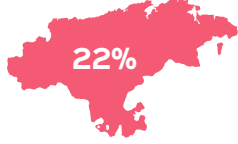
Our staff

Palencia

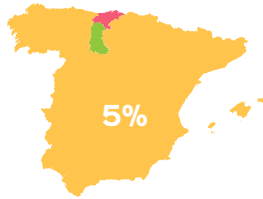


- Palencia: **63%**
- Aguilar de Campoo: **37%**

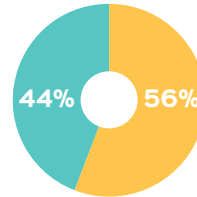
Cantabria



Rest

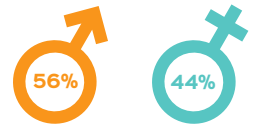


Contracts



- Permanent
- Temporary

No. employees



Average Age



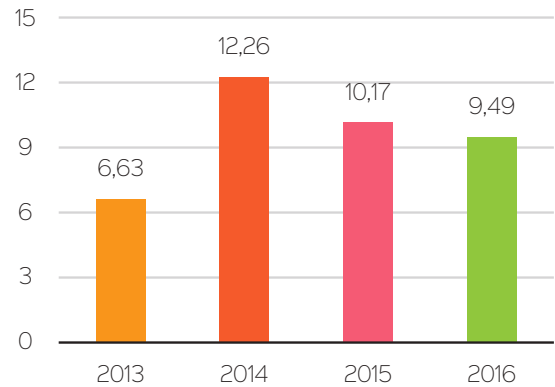
Total: 35 years old

Length of service



Training, a cornerstone of professional development at Galletas Gullón

HOURS OF TRAINING/EMPLOYEE



OTHER IMPORTANT ACTIVITIES

- Employment generator
- Annual business meeting
- Management event

Value chain



SELECTION AND SUPPLY OF RAW MATERIALS

- Quality raw materials
- Support of local suppliers
- Commitment to our local area



- Over **1300** employees
- Local development
- R+D+i expenditure of **1.9%**



PRODUCT MANUFACTURING

- Mixing
- Rolling
- Die-cutting
- Baking
- Cooling
- Packaging



- Over **700** references
- Mechanised process
- Ongoing investment
- **€50 million** investment during the 2016 – 2018 period



DISTRIBUTION AND SALES

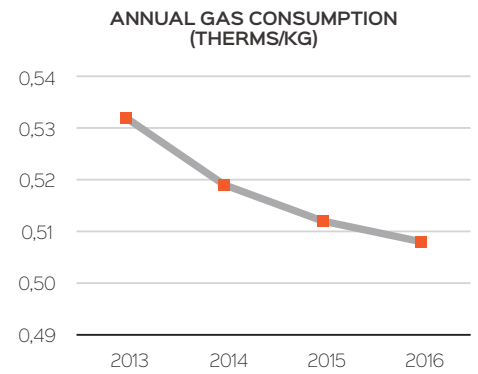
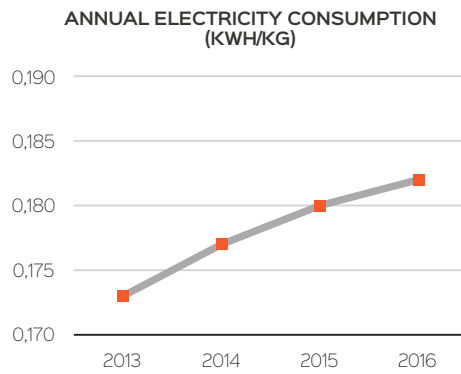
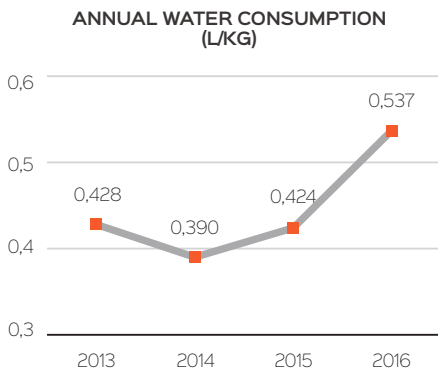
- Logistics centres in Spain, Italy and Portugal
- Present in over **120 countries**



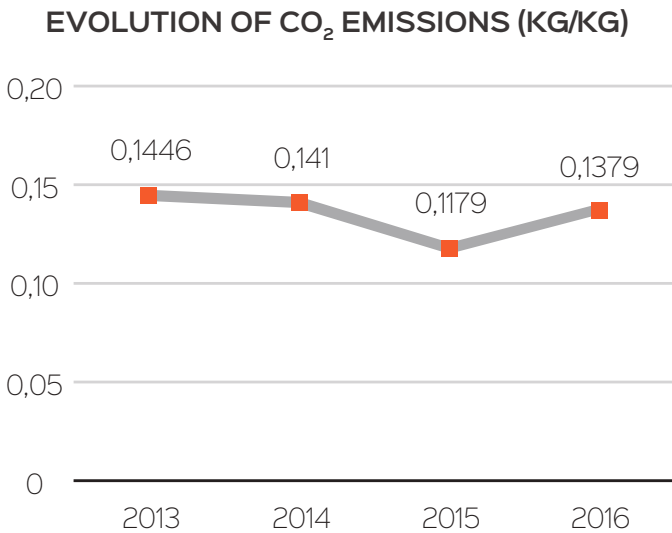
- Leaders in health biscuits
- **31.2%** share within the health sector

SUSTAINABILITY AND INNOVATION

Consumption Control



Waste, spill and emission management



The project figures...

Budget of 9.8 million
Led by the CARTIF Technological Centre
Partners involved: 16 partners in six countries
Galletas Gullón, the only food company

- Production with zero emissions: REEMAIN project
- Committed to the use of clean vehicles

Excellence and quality

GALLETAS GULLÓN IS INVOLVED WITH THE FOLLOWING LINES OF RESEARCH:

Recovery of residual heat while baking biscuits, in order to reduce consumption of natural gas and CO₂ emissions

Development of a more efficient control of cooling systems, making use of the cold air from outside of the factory to reduce the electricity consumption employed for the generation of industrial cold

Optimised control of air-conditioning equipment at the factory to reduce electricity consumption

Efficient control of the boilers used during the manufacturing process in order to reduce the consumption of natural gas and CO₂ emissions

Development of an energy management programme based on the SCADA system (Supervisory Control And Data Acquisition) in order to continually monitor the energy consumption of the main stages of a manufacturing line



BUSINESS CHALLENGES

- We continue to work and make decisions that imply sustained and profitable growth, based on respect for the environment where we operate.
- Internationalisation will continue to be a priority for the company, exploring new business opportunities.
- We generate sustainable value for our staff, the region and the company's corporate management.
- We will promote a working method based on innovation and the new technologies, which will enable us to effectively move forward in a changing market.
- Our logistics centres operate efficiently in terms of supply, rotation and flexibility, based on innovation and sustainable good practices in transport.



PRODUCTS

- We will seek to be the preference of consumers in the health biscuit sector.
- We will use raw materials of an excellent quality, from local suppliers and based on fair production and marketing criteria.
- We will continue to work for the final consumer, based on a segmentation model and in accordance with health needs, helping them to improve their quality of life.
- We will experiment and innovate with our products, thanks to the research projects and investment in innovation carried out by the company.



PEOPLE

- We will continue to be one of the main companies in the region and province of Palencia that generates stable and quality employment.
- Our work centres will continue to be the best place to work, ensuring optimal employment conditions.
- Employee motivation and training will continue to be one of the main objectives, promoting a sense of belonging to the Gullón team.

CORPORATE SOCIAL RESPONSIBILITY

- The ethical management of the company will continue to be based on economic, social and environmental sustainability, with principles of co-responsibility and transparency.
- We will implement our Social Responsibility Plan in accordance with the planned actions, ensuring continuous evaluation and improvement.
- We will draw up a materiality matrix to analyse and identify our main impacts.
- We will audit our company based on the necessary international standards to ensure and verify compliance with legal requirements, such as SMETA.
- We will continue to collaborate with the local area, responding to emerging needs.
- We will support young people and people in risk of social exclusion, along with the families of employees, with employment training programmes.
- We will grow in a sustainable manner, basing our business on waste minimisation and reducing our environmental footprint.
- We will be committed to respect for the environment and environmental education, involving all of our staff, from management to our suppliers, distributors and customers.





gullón

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