



Descriptive report of Sociedad Cooperativa Tabaquera Comunitaria (COTABACO)

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1. ORIGIN

The origin of the Sociedad Cooperativa Tabaquera Comunitaria (COTABACO) dates back to 1990. It was in that year when a group of small first-degree agricultural cooperatives agreed to unify into a second-degree cooperative society in order to obtain the benefits inherent to the concentration of production, processing and marketing.

On July 10, 1990, COTABACO's bylaws were made public and registered in the Central Registry of Cooperatives on July 16, 1990.

In May 1992, COTABACO obtained the qualification of Agrarian Tobacco Producers Group (A.P.A. No. 27), being the first cooperative in this country to obtain this qualification.

On June 18, 2005, COTABACO adapted its bylaws to Law 2/1998, of March 26, 1998, of Cooperative Societies of Extremadura.

On July 30, 2015, COTABACO acquired the status of Raw Tobacco Producers Organization (OPTC), being the first company in Spain to be qualified as such.

On June 30, 2024 COTABACO adapted its bylaws to the provisions of Law 9/2018, of October 30, on cooperative societies of Extremadura.

2. OBJECTIVES SOCIAL

The management bodies of COTABACO and, by extension, all its members, are fully aware of what should be the social objectives of the cooperative to produce, process and market, in the most advantageous conditions, the tobacco produced in the farms of the cooperative, in the first degree cooperatives that integrate it and in the farms of the cooperative members of the same. For this purpose, the "Article3" of its bylaws contemplates the following corporate objects:

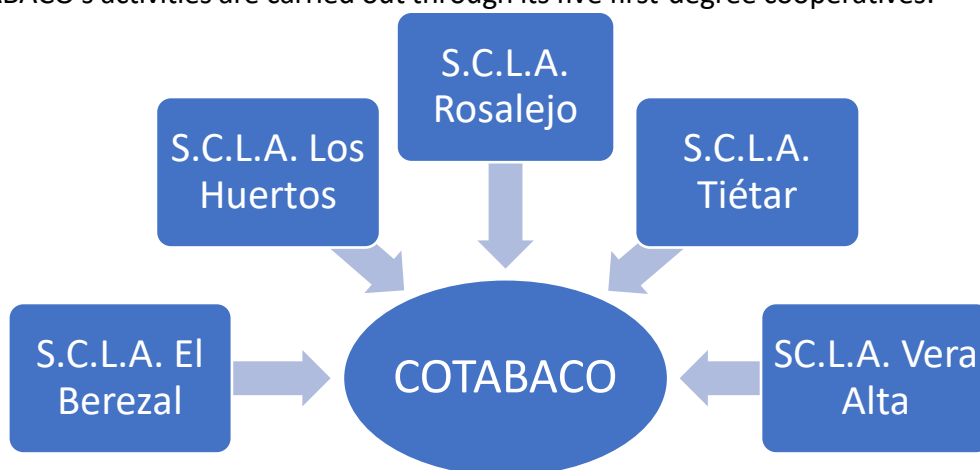
- a) To acquire, produce, transform, condition, preserve and market all the tobacco produced in the farms of the Cooperative, of the First Degree Cooperatives that are part of it and of the cooperative members of the same.
- b) To concentrate the supply and marketing of all the tobacco produced in the farms of the Cooperative, of the First Degree Cooperatives that make up the Cooperative and of the cooperative members of the same, including direct marketing.
- c) Ensure that production is planned and adjusted according to demand, especially in terms of quality and quantity.
- d) To establish common production, production, marketing and environmental protection reporting standards, in particular as regards tobacco quality and the use of sustainable cultivation and curing practices, as well as to establish the procedures for setting, adopting and amending the said common standards.
- e) Determine and apply common production, profitability and marketing standards for the product for which the members of the Producer Organization adhere, in order to improve the quality and competitiveness of the product and adapt the volume of supply to market requirements.
- f) To acquire for the Cooperative and/or for the farms of its members and partners machinery and facilities of all kinds for the storage, transformation and conditioning of any agricultural, livestock and forestry product.
- g) To place on the market the product produced in the Organization's farms, those of the

member Cooperatives and their cooperative members.

- h) To ensure compliance with the Specific Technical Standards and the instructions established by the Integrated Production technical service in the tobacco crop included in Integrated Production in the farms of the Cooperative, of the First Degree Cooperatives that are part of it, of the cooperative members of the same and of non-member third parties.
- i) Any other activities that are necessary or convenient or that facilitate the technical, labor or environmental improvement of the Cooperative, of the First Degree Cooperatives that integrate it, of the holdings of the cooperative members thereof and of non-member third parties.
- j) Optimize production costs and returns on investments made in response to environmental standards and stabilize production prices.
- k) To produce seedlings and/or seedlings of any agricultural and forestry species for the Cooperative's producer members, for the First Degree Cooperatives that are part of it, for the cooperative members of the same and for non-member third parties.
- l) Sowing, transplanting, treating, fertilizing, harvesting, transporting, curing, selecting, packaging, storing and shipping the tobacco of the producer members of the Cooperative, of the first degree Cooperatives that integrate it, of the cooperative members of the same and of non-member third parties.
- m) Mediating in the contracting of insurance and reinsurance.
- n) To buy and sell, for the producer members of the Cooperative, of the First Degree Cooperatives that integrate it, of the cooperative members of the same and of non-member third parties, any agricultural, livestock and forestry product, including fuels and any type of biomass; as well as machinery and installations of all types.

3. STRUCTURE

COTABACO's activities are carried out through its five first-degree cooperatives:



The presidents of each of the first degree cooperatives constitute the **General Assembly**, which is the supreme organ of expression of the member entities.

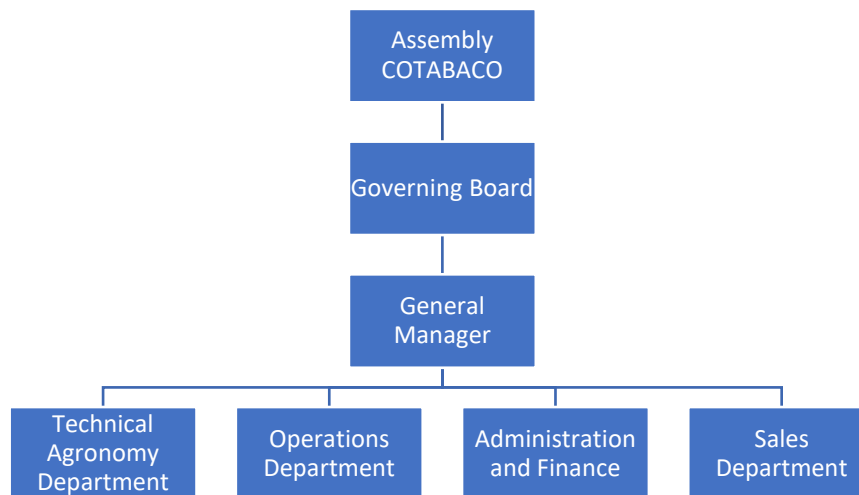
The governing, management and representative body of the cooperative is the **Governing Council**, which is made up of two members from each of the first degree cooperatives and

consists of the following positions: president, vice-president, secretary, vice-secretary and six members.

The **Chairman** of the Board of Directors is also the Chairman of COTABACO and is the legal representative of the company.

The **manager** is the person in charge of materializing the decisions and agreements made by the General Assembly and the Governing Council.

This structure is in charge of choosing a **team of technicians, administrative staff and operators** who are in charge of developing the work that allows the company to meet its social objectives.

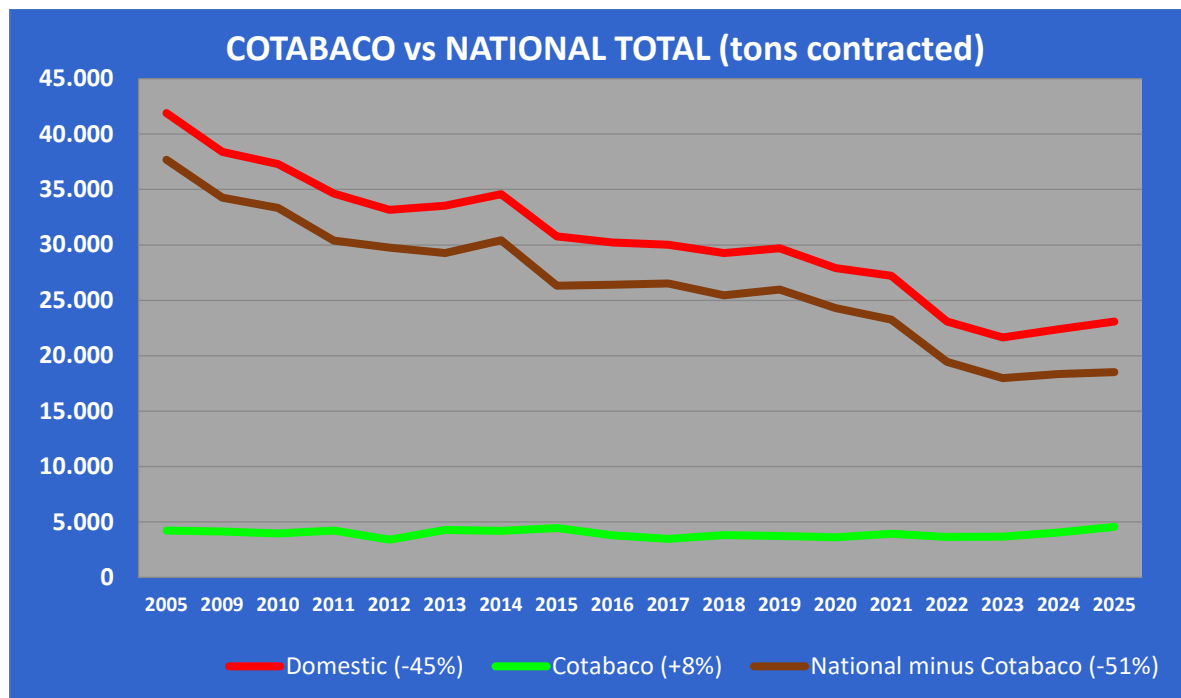


4. DIMENSIONS AND SOCIO-ECONOMIC INDICATORS

COTABACO has 180 members, who produce more than 4,500 tons of tobacco, 20% of the national production. Of these 4,500 tons, 96% belong to the Virginia variety, the remaining 4% to the "black" varieties. The cultivated hectares exceed 1,300, all of them located in the Autonomous Community of Extremadura.

COTABACO is the only Raw Tobacco Producers' Organization that contracts and produces tobacco for all recognized first processing companies operating in Spain, and is the only entity that produces tobacco of all varieties.

As regards the evolution of production, COTABACO is the only Raw Tobacco Operator in Spain that, since the 2005 harvest (when production quotas disappeared), has increased its market share, the rest having lost an average of more than 50%, as can be seen in the following graph:



Graph 1: Evolution of hiring [Data: MAPA. Own elaboration].

The tobacco cultivation of COTABACO's farms contributes to the region a Gross Added Value of more than 21 million Euros, which represents 0.10 % of the regional total; generating more than 750 jobs, which represents 0.16 % of the region's total and which represents 7 % of the total employment of its area of influence and more than 10 % of its agricultural employment. These data are especially relevant considering that the unemployment rate in the region exceeds 15%.

COTABACO's farms are highly specialized, with more than 92% of their land dedicated exclusively to tobacco cultivation.

The average age of COTABACO's producers is 47 years old, making it the "youngest" Raw Tobacco Producers' Organization within the least aged agricultural sector at the national level, as a result of the rejuvenation plans implemented in recent years.

Another relevant aspect is that women account for more than one third of OPTC members.

5. HUMAN AND PHYSICAL CAPITAL

COTABACO carries out all the necessary tasks for the proper functioning of the cooperative, of the first degree cooperatives that are part of it and of their members. For this purpose, the cooperative has an area of 70.000 m² located in the municipality of Talayuela (Cáceres), epicenter of the Spanish tobacco production.

It is in this area where all the employees work and where the means of production necessary for the development of the activities that allow the fulfillment of their social objectives are located.

5.1. EMPLOYEES

The workforce that makes up the human capital of the company is as follows:

- Full-time permanent workers:

- An Agricultural Engineer.
- Three Agricultural Technical Engineers.
- Two Senior Business Administration Technicians.
- A production manager.
- A warehouse manager.
- A truck driver.
- A watchman.
- Discontinuous permanent workers:
 - An Agricultural Engineer.
 - A Technical Computer Engineer.
 - Nine specialized laborers.
 - Thirty-five laborers.

5.2. MEANS OF PRODUCTION

Physical capital is composed, among other elements, of:

- Factories, warehouses and management buildings:
 - A Virginia tobacco curing plant consisting of one hundred and twelve drying sheds occupying an area of 5,900 m² with a weekly curing volume of 6,400 m³ of tobacco in 1,488 containers. The plant uses biomass as fuel for heat energy supply by means of five boilers with an output of 10 Mkal/hour. The boiler rooms have a surface area of 392 m² and the biomass bays have a surface area of .588 m²
 - A nursery at 30,000 m² for the production of root ball tobacco plants consisting of seventeen greenhouses with a usable area of .20,000 m²
 - A 2,700 m² biomass screening and selection plant, with a capacity of more than 5,000 tons per year.
 - A shed at 600 m² for planting, disinfection and storage of trays for root ball plants.
 - Two warehouses for container filling, selection and packaging of tobacco with a total area of .2,800 m²
 - A workshop at .540 m²
 - A warehouse at 1,430 m² for the reception of members' cured tobacco.
 - Three warehouses with a total area of 2,900 m² for the storage of cured tobacco.
 - A warehouse for the storage and sale of phytosanitary products with an area of .365 m²
 - A warehouse for the storage and sale of fertilizers from .900 m²
 - A management building at 320 m² consisting of a waiting room, seven offices, two archives and a boardroom.
 - An office for the computerized control and traceability of the production processes of .80 m²
 - An office for the control of tobacco curing from .25 m²
 - An auditorium at .180 m²
 - A dining room at .150 m²

- Machinery and equipment:
 - Two trucks with "multilift" hooks.
 - Seven Virginia tobacco harvesters.
 - Two self-propelled sprayers.
 - Two tractors.
 - One hundred and twenty trailers of thirty cubic meters capacity.
 - A high capacity weighing scale.
 - Three trailers with "multilift" hook.
 - A "multilift" platform trailer.
 - Seven forklifts.
 - Three green tobacco container filling machines.
 - Three machines for selection and packaging of cured tobacco.
 - Two platforms for the transport of cured tobacco.
 - A "multilift" platform trailer for the transport of green tobacco.
 - A self-propelled sweeper.
 - A floating tray seeding machine.
 - Two platforms with "cages" for floating trays.
 - A tray washing and disinfection machine.
 - Seventeen treatment bridges for greenhouses.
 - Seven lawn mowers.
 - Two sprayers.
 - A fifteen-ton capacity bridge crane.
 - A 1,500 kVA transformation center.
 - Etc.

6. ACTIVITIES AND SERVICES PROVIDED

With the available means of production operated by the employees mentioned in the previous paragraph, the cooperative carries out the following activities and provides the following services to the members.

6.1. TECHNICAL AND PRODUCTIVE ACTIVITIES

- Operation of the curing plant. In the cooperative's curing plant, 1,800,000 kilograms of virginia tobacco of the cooperative's members are cured annually, to which, in this respect, the following services are rendered:
 - Harvesting, in some cases with the cooperative's harvesters, of green tobacco from members' farms.
 - Transport of the harvested green tobacco from the members' farms to the curing plant.
 - Preparation of the containers of the dryers.
 - Curing proper.
 - Classification, packaging and storage of cured tobacco.
 - Transportation and sale of tobacco to first processing companies

It should be noted that the traceability of all these operations is absolute.

- Operation of the nursery. In the seventeen greenhouses that make up the COTABACO nursery, 20,000,000 root ball tobacco plants are produced for its members. It should be noted that a 945 m² greenhouse has underfloor heating and fan heaters. The cooperative also plants the trays for those members who produce the plant on their farms. Transport, collection, cleaning, disinfection and storage of the trays are also services provided by COTABACO to its members.
- Reception of cured tobacco. The cooperative receives and stores more than 2,000 tons of cured tobacco from its members' farms, which are subsequently sold to primary processing companies.
- Implementation, monitoring and control of Good Agricultural Practices and Integrated Production. COTABACO is aware of the importance of the quality of its product, which is why it has implemented a plan of Good Agricultural Practices to adapt its tobacco to the demands of its customers; this plan requires a series of practices in the cultivation and curing processes to reduce the impact on the environment and on human health and to achieve strict control over the traceability of the product. COTABACO is also an Agrupación de Producción Integrada en Agricultura (APRIA) of tobacco in which all producers are integrated.
- Agronomic advice to OPTC members during the growing and curing phases, as well as in the preparation of their field notebooks.
- Community purchases. The company makes joint purchases of all types of inputs that allow considerable savings to the farms of the producer members.
- Sale and application of phytosanitary products. The cooperative is registered in the *Official Register of Operators and Producers of Phytosanitary Defense Means* of the Junta de Extremadura as an authorized operator for the sale and application of phytosanitary products of all categories.
- Sale of inputs. The company sells all types of inputs (fertilizers, machinery, personal protective equipment, tools...) necessary for the proper development of the crop in the farms of the partners.
- Measurement of farms and surveying of plans. COTABACO has a total station for the direct measurement of farms and a large format printer for the printing of topographic surveys.
- Organization, coordination and delivery of courses. The cooperative's technicians coordinate and teach courses of great interest to producers, such as: good agricultural practices and traceability; applicator/handler of phytosanitary products at all levels; management of agricultural companies; analysis and reduction of production costs; practical guidelines in the cultivation of quality tobacco and respect for the environment; etc.
- Accompaniment to inspections. COTABACO technicians accompany members to field inspections by the Administration, as well as to audits carried out by companies certifying the Integrated Production Technical Standard and tobacco companies.
- Environmental Practices. From COTABACO, aware of the importance of respecting the environment, several practices have been carried out in this regard, such as the collection of packaging by the cooperative of the waste generated by producers in their farms (being a SIGFITO point); formalization of contracts with waste managers and authorized landfills; recycling of plastics; trials of organic tobacco cultivation;

development of guidelines for cultivation with respect to the environment; advice on environmental cultural practices; courses; etc..

- Arrangements with insurance companies. The company is in charge of the negotiations with the insurance companies for the contracting of the insurance with increasing coverage for non-textile industrial crop farms (combined agricultural insurance of tobacco crops) of the members' farms. Likewise, COTABACO's technicians are in charge of appraising, together with Agroseguro's technicians, the existing damages to the tobacco on the members' farms in the event of a loss.

ADMINISTRATIVE AND FINANCIAL ACTIVITIES.

The technicians and administrative staff perform a great number of technical-administrative tasks for COTABACO, for the first-grade cooperatives that are part of it and for their members. Among them we can mention:

- Invoicing of all products marketed by the cooperative and its member cooperatives.
- Preparation of the management, accounting and taxation of COTABACO and the grassroots cooperatives.
- Preparation of budgets.
- Contacts with legal, tax and accounting advisors.
- Negotiations with financial entities for the financing of COTABACO, its first degree cooperatives and their members.
- Contacts and meetings with other companies and cooperatives in the sector and with the various public administrations (European, national, regional and local).
- Agreements with companies linked to the tobacco sector. COTABACO has signed agreements with: *i)* energy companies such as Repsol, Cepsa, Iberdrola, biomass companies, etc., which have led to considerable savings for members, and *ii)* service sector companies such as insurance companies, mutual insurance companies for occupational accidents and diseases, third-party occupational risk prevention services, etc., which have also contributed to lower costs for member farms.
- COTABACO is qualified as a collaborating entity of the Ministry of Agriculture of the Government of Extremadura, under such qualification performs the following procedures for all members of the OPTC: Single Application and Update of the Register of Holdings; Register of Operators of Integrated Production; movements of Administrative Rights; files of the various lines of aid (establishment of young farmers, improvement plans, irrigation efficiency, agro-industrial incentives ...); etc...
- Preparation, filing and registration of tax documents.
- Etc.

7. COMMITMENTS

7.1. ENVIRONMENTAL

More than 98% of the area cultivated by COTABACO's members is produced under the *integrated production* modality, being under the *Specific Technical Standard for Integrated Tobacco Production in the Autonomous Community of Extremadura*, which aims to make agricultural practices beneficial to the climate and the environment mandatory.

Similarly, more than 98% of the heat energy used in the tobacco curing process of all OPTC partners comes from biomass, a renewable energy that is neutral in greenhouse gas emissions.

COTABACO is a producer of photovoltaic energy that it uses for the self-supply of its facilities.

Recently, the water footprint of all farms is also being regulated and contained through the instrumentation of field capacity stations and meters.

In this aspect, in the environmental area, COTABACO holds the UNE-EN ISO 14001:2015 certification for Environmental Management.

7.2. OF QUALITY

The commitment to the quality of the services and products offered by COTABACO is absolute, so much so that the OPTC is in possession of the UNE-EN ISO 9001:2015 Quality Management certification.

7.3. RESEARCH AND DEVELOPMENT

Regarding R&D&I, COTABACO has participated in several projects, such as:

- Technological development on the production of unique cured tobacco with renewable energies (biomass) in the province of Cáceres (*TASINEX*).
- Improvement of tobacco crop competitiveness through the development of a new model for the management of agricultural knowledge on its evolution in the field and its curing behavior (*Tabaco-Track*).
- Research on the advancement of seedling production in seedbeds with floating trays for the early production of quality tobacco with less impact (*Early Transplant*).
- Valorization of the tobacco plant by obtaining supercritical extracts with target compounds of potential interest for industrial activity (*TABAEXIN*).
- Tobacco leaf traceability system (*Go LeafTrack!*).

7.4. ETHICAL AND LABOR

COTABACO has established, among others:

- **A labor equality plan** (measures aimed at ensuring equal treatment and opportunities between men and women in the workplace).
- **A whistleblower mailbox for its employees** (to protect all employees who report any criminal or administrative irregularity).
- **An ethical channel** (internal communication mechanism that allows employees, suppliers, customers and other stakeholders to report possible irregularities, non-compliance with internal or external regulations, or any conduct that may violate the cooperative's ethical principles).
- **A self-protection plan.**

All this order to comply with its further commitment to its particular **PAC** (Acronyms that come from the spanish words **P**roteger, **A**tender and **C**uidar): Protect its workers, Serve its customers and Take care of its suppliers.

8. CONCERNS AND ASPIRATIONS

The Management Bodies of COTABACO and, by extension, all its members and employees, are aware that the future of the tobacco sector inexorably depends on offering its members the best and most diligent services, with the aim of improving the quality of their tobacco, reducing their production costs and contributing to the conservation of the environment and climate; only with the achievement of these premises, plus compliance with their particular **PAC**, is it possible to survive in such a threatened and competitive sector.