

# 04

## Corporate Governance

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# **Annual Corporate Governance Report**

## ANNEX 1

### ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

#### DETAILS OF ISSUER

<b>YEAR ENDED</b>	31/12/2017
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<b>TAX REGISTRATION NUMBER</b>	A47412333
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<b>NAME</b>
EBRO FOODS, S.A.

<b>REGISTERED OFFICE</b>
PASEO DE LA CASTELLANA 20 - 3 <sup>rd</sup> AND 4 <sup>th</sup> FLOORS - MADRID

## ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

### A OWNERSHIP STRUCTURE

A.1 Complete the following table on the capital of the company:

Date latest modification	Capital ( € )	Number of shares	Number of voting rights
11/06/2002	92,319,235.20	153,865,392	153,865,392

Indicate whether there are different classes of shares with different associated rights:

YES  NO

A.2 Give details on the direct and indirect holders of significant interests in your company at year-end, excluding directors:

Name of shareholder	Number of direct voting rights	Number of indirect voting rights	Interest / total voting rights (%)
SOCIEDAD ANÓNIMA DAMM	0	17,705,610	11.51%
CORPORACIÓN FINANCIERA ALBA, S.A.	18,467,963	0	12.00%
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES	0	15,940,377	10.36%

Name of indirect holder of the interest	Through: Name of direct holder of the interest	Number of voting rights
SOCIEDAD ANÓNIMA DAMM	CORPORACIÓN ECONÓMICA DELTA, S.A.	17,705,610
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES	ALIMENTOS Y ACEITES, S.A.	15,940,377

Indicate the principal movements in the shareholding structure during the year:

A.3 Complete the following tables on board members with voting rights in the company:

Name of director	Number of direct voting rights	Number of indirect voting rights	% of total voting rights held
ANTONIO HERNÁNDEZ CALLEJAS	30	68,006	0.04%
FERNANDO CASTELLÓ CLEMENTE	2,307,828	0	1.50%
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	3,030	4,500,000	2.99%
ALIMENTOS Y ACEITES, S.A.	15,940,377	0	10.36%
EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.U.	12,042,637	0	7.83%
GRUPO TRADIFIN, S.L.	12,248,809	0	7.96%
HERCALIANZ INVESTING GROUP, S.L.	12,248,809	0	7.96%
BELÉN BARREIRO PÉREZ-PARDO	10	0	0.00%
CORPORACIÓN ECONÓMICA DELTA, S.A.	17,705,610	0	11.51%

Name of indirect holder of the interest	Through: Name of direct holder of the interest	Number of direct voting rights
ANTONIO HERNÁNDEZ CALLEJAS	ANTONIO HERNÁNDEZ GONZÁLEZ	30,873
ANTONIO HERNÁNDEZ CALLEJAS	LUIS HERNÁNDEZ GONZÁLEZ	37,133
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	LA FUENTE SALADA, S.L.	4,600,000
<b>Total % of voting rights held by board members</b>		50.15%

Complete the following tables on board members with stock options in the company:

- A.4 Indicate family, commercial, contractual or corporate relationships among significant shareholders known to the company, if any, except any that are insignificant and those deriving from ordinary commercial business:

Name of related parties
SOCIEDAD ANÓNIMA DAMM
CORPORACIÓN ECONÓMICA DELTA, S.A.

**Type of relationship:** Corporate

**Brief description:**

Sociedad Anónima Damm holds a direct interest of 99.99% in Corporación Económica Delta, S.A.

Name of related parties
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES
ALIMENTOS Y ACEITES, S.A.

**Type of relationship:** Corporate

**Brief description:**

Sociedad Estatal de Participaciones Industriales (SEPI) holds a direct interest of 91.9625% in Alimentos y Aceites, S.A.

- A.5 Describe the commercial, contractual or corporate relationships between significant shareholders and the company and/or its group, if any, except any that are insignificant and those deriving from ordinary commercial business:

Name of related parties
SOCIEDAD ANÓNIMA DAMM
HERBA RICEMILLS, S.L.U.

**Type of relationship:** Commercial

**Brief description:**

During 2017, Herba Ricemills, S.L.U., a subsidiary of the Ebro Foods Group, sold rice and rice by-products to two subsidiaries of the significant shareholder Sociedad Anónima Damm on arm's length terms.

See section D.2 of this Report.

- A.6 State whether the company has been notified of any shareholders' agreements that may affect it pursuant to sections 530 and 531 of the Corporate Enterprises Act. If any, describe them briefly and list the shareholders bound by the agreement:

YES  NO

Indicate and describe any concerted actions among company shareholders of which the company is aware:

YES  NO

Expressly indicate any change or break-up of those agreements or concerted actions, if any, that has taken place during the year.

A.7 Indicate any individuals or entities that exercise or may exercise control over the company in pursuance of section 4 of the Securities Market Act and identify it/them if appropriate:

YES  NO

Comments
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A.8 Complete the following tables on the company's treasury stock:

At year-end:

Number of direct shares	Number of indirect shares (*)	Treasury stock/capital (%)
0	0	0.00%

(\*) Through:

Describe any significant variations during the year, according to the provisions of Royal Decree 1362/2007:

Explain the significant variations
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A.9. Indicate the term and conditions of the authorisation granted by the General Meeting to the Board to buy or sell own shares

The Annual General Meeting of Shareholders held on second call on 3 June 2015 resolved, under item twelve on the agenda, to authorise the Board of Directors to buy back own shares and reduce the company's capital and to authorise subsidiaries to acquire shares in the parent company, by purchase or on any other payment basis, subject to the limits and other requisites stipulated in law.

a. Conditions of the authorisation

To authorise the board of directors, with the power to delegate, to buy back shares in Ebro Foods, S.A., directly or through its subsidiaries, by purchase, swap or under any other title and on one or several occasions, on the terms and conditions established in sections 146 et seq and sections 509 et seq of the Corporate Enterprises Act, and the following conditions::

- The par value of the shares purchased directly or indirectly, together with those already held by the company or its subsidiaries, shall not exceed 10% of the subscribed capital.

- The buy-back, when added to the shares previously acquired by the company, or any person acting in his own name but on behalf of the company, and held as treasury stock, shall not have the effect of reducing equity to below the amount of the capital plus the legal or restricted statutory reserves. For this purpose, equity shall be the amount considered as such according to the principles for drawing up the annual accounts, less the amount of gains attributed directly thereto, plus the amount of uncalled subscribed capital and the par value and share premium of the subscribed capital recognised in liabilities.

- The shares thus acquired shall be fully paid up.

- The cap and floor values for buy-back shall be the market value of the shares on an official secondary market at the date of buy-back and a value equivalent to the par value of the own equity instruments acquired, respectively.

b. Contents of the authorisation

- To authorise the Board, by direct resolution or delegation to the Executive Committee, or by delegation to such person or persons as the Board may authorise for this purpose, to buy back own shares to hold them in its treasury stock, dispose of them or, as the case may be, put a motion to the General Meeting for their redemption, within the legal limits and complying with the conditions established in this resolution.

This authorisation is also extended to the possibility of buying back own shares for delivery, on one or several occasions, to the company or group employees, directly or following exercise of their option rights, pursuant to section 146.1(a), third paragraph, of the Corporate Enterprises Act..

It is also extended to acquisitions of shares in Ebro Foods, S.A. by its subsidiaries.

- To authorise the Board to reduce the capital in order to redeem the own equity instruments purchased by the company or other companies in its group against the capital (for their par value) and unrestricted reserves (for the cost of the acquisition in excess of that par value), by such amounts as it may deem fit from time to time and up to the maximum own shares held at any time.

- To delegate to the board to implement the aforesaid resolution to reduce the capital, which it may do on one or several occasions or declare it null and void, within a period not exceeding 5 years from the date of this General Meeting (3 June 2015), taking such actions for this purpose as may be necessary or required by law.

The Board is especially authorised so that it may, within the times and limits indicated in this resolution, proceed to: (i) make or declare void the reduction of capital, naming if appropriate the specific date(s) of the transactions, taking account of any internal or external factors that may influence this decision; (ii) specify in each case the amount by which the capital is reduced; (iii) determine the destination of the amount of the reduction of capital; (iv) in each case adjust Articles 6 ("Capital") and 7 ("Shares") of the Articles of Association to reflect each new amount of capital and new number of shares; (v) apply in each case for delisting of the redeemed shares; and (vi) in general adopt such resolutions as may be considered necessary for redemption and the consequent reduction of capital, designating who is to put it on record.

c. Term of the authorisation

The authorisation contemplated in this resolution is granted for a maximum of five years from the date of the General Meeting (3 June 2015) and covers all transactions in own equity instrument made hereunder, without requiring reiteration for each acquisition made. It also covers any provisions or earmarking of reserves made in accordance with the Corporate Enterprise Act.

The resolutions adopted at the Annual General Meeting of 3 June 2015 regarding treasury stock, reduction of capital and delegation to the Board rendered void in the unused amount those adopted in this regard at the Annual General Meeting held on 15 June 2011. They remain in force, not having been since revoked.

A.9.bis. Estimated free float:

	%
<b>Estimated free float</b>	37.85

A.10 Indicate any constraints on the transferability of shares and/or any restrictions on voting rights. In particular, indicate the existence of any constraint or limitation that may hamper takeover of the company through the acquisition of its shares on the market.

YES  NO

A.11 Indicate whether the General Meeting has resolved to apply the breakthrough rule against a takeover bid, under Act 6/2007:

YES  NO

If so, explain the measures approved and the terms on which the restrictions will become ineffective:

A.12 State whether the company has issued any shares that are not traded on an EU regulated market.

YES  NO

If appropriate, indicate the different classes of shares and the rights and obligations conferred for each class.

## B. GENERAL MEETING

B.1 Indicate whether there are any differences between the quorums established for General Meetings and the minimums stipulated in the Corporate Enterprises Act and, if any, explain.

YES  NO

B.2 Indicate whether there are any differences in respect of the system stipulated in the Corporate Enterprises Act for adopting corporate resolutions and, if any, explain.

YES  NO

What differences exist in respect of the system stipulated in the Corporate Enterprises Act?

B.3 Indicate the rules for alteration of the company's articles of association. In particular, indicate the majorities stipulated for altering the articles of association and the rules, if any, protecting shareholders' rights in any alteration of the articles.

There are no requirements for altering the Articles of Association other than those stipulated in the Corporate Enterprises Act.

B.4 Give details of attendance of general meetings held during the year of this report and the previous year:

Date General Meeting	Details of Attendance				Total
	% in person	% by proxy	% distance voting		
			Electronic vote	Others	
01/06/2016	19.94%	55.85%	0.00%	0.00%	75.79%
01/06/2017	20.68%	44.90%	0.00%	11.87%	77.45%

B.5 Are any restrictions are established in the articles of association requiring a minimum number of shares to attend general meetings?

YES  NO

B.6 Repealed.

B.7 Indicate the address and access to the company's website and where to find information on corporate governance and other information on general meetings that must be made available to shareholders through the company's website.

The corporate website of Ebro Foods (<http://www.ebrofoods.es/en/>) is set up as a vehicle of information, continuously and permanently updated for shareholders, investors and markets in general.

In this respect, the home page includes a specific section called "Information for shareholders and investors", which contains all the information required under the applicable legal provisions.

Pursuant to current legislation, this section includes the chapter on Corporate Governance at the following address:



<http://www.ebrofoods.es/en/information-for-shareholders-and-investors/corporate-governance/regulations-of-the-general-meeting/>

That section includes all the information that the company makes available to shareholders for general meetings, specifically at <http://www.ebrofoods.es/en/information-for-shareholders-and-investors/corporate-governance/general-meeting-of-shareholders-exercise-of-the-right-to-information/> and <http://www.ebrofoods.es/en/information-for-shareholders-and-investors/corporate-governance/general-shareholders-meeting-2017/>. There is also a direct link to the General Meeting of this year from the home page (<http://www.ebrofoods.es/en/>).

The Corporate Governance chapter is structured in the following sub-sections:

- Regulations of the General Meeting
- General Meeting of Shareholders: exercise of the right to information
- General Shareholders' Meeting
- Board of Directors
- Regulations of the Board
- Annual Corporate Governance Report
- Remuneration of Directors
- Board Committees
- Internal Code of Market Conduct
- Shareholders' Forum

The contents of this chapter are structured and hierarchical, with a concise, explanatory title, to permit rapid, direct access to each section in accordance with legal recommendations, at less than three clicks from the home page.

All these sections have been designed and prepared according to the principle of easy access, aiming to enable fast location and download of the required information.

The corporate website offers all the information in this section in Spanish and English.

## C. MANAGEMENT STRUCTURE OF THE COMPANY

### C.1 Board of Directors

C.1.1 State the maximum and minimum numbers of directors stipulated in the articles of association:

<b>Maximum number of directors</b>	15
<b>Minimum number of directors</b>	7

C.1.2 Give details of the board members:

Name of director	Representative	Category of director	Position on Board	Date first appointment	Date latest appointment	Election procedure
DEMETRIO CARCELLER ARCE		Proprietary	VICE-CHAIRMAN	01/06/2010	04/06/2014	RESOLUTION PASSED AT AGM
ANTONIO HERNÁNDEZ CALLEJAS		Executive	CHAIRMAN	24/01/2002	04/06/2014	RESOLUTION PASSED AT AGM
FERNANDO CASTELLÓ CLEMENTE		Independent	DIRECTOR	29/05/2012	04/06/2014	RESOLUTION PASSED AT AGM
MERCEDES COSTA GARCÍA		Independent	DIRECTOR	27/07/2016	01/06/2017	RESOLUTION PASSED AT AGM
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL		Independent	LEAD INDEPENDENT DIRECTOR	29/05/2012	04/06/2014	RESOLUTION PASSED AT AGM
ALIMENTOS Y ACEITES, S.A.	CONCEPCIÓN ORDÍZ FUERTES	Proprietary	DIRECTOR	23/07/2004	04/06/2014	RESOLUTION PASSED AT AGM
EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.U.	JAVIER GÓMEZ-TRENOR VERGÉS	Proprietary	DIRECTOR	18/12/2013	04/06/2014	RESOLUTION PASSED AT AGM
GRUPO TRADIFÍN, S.L.	MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ	Proprietary	DIRECTOR	21/12/2016	01/06/2017	RESOLUTION PASSED AT AGM

HERCALIANZ INVESTING GROUP, S.A.	FÉLIX HERNÁNDEZ CALLEJAS	Executive	DIRECTOR	21/12/2016	01/06/2017	RESOLUTION PASSED AT AGM
BELÉN BARREIRO PÉREZ-PARDO		Independent	DIRECTOR	25/01/2017	01/06/2017	RESOLUTION PASSED AT AGM
JAVIER FERNÁNDEZ ALONSO		Proprietary	DIRECTOR	25/01/2017	01/06/2017	RESOLUTION PASSED AT AGM
CORPORACIÓN ECONÓMICA DELTA, S.A.	MARÍA CARCELLER ARCE	Proprietary	DIRECTOR	28/06/2017	28/06/2017	COOPTATION

<b>Total Number of Directors</b>	12
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Indicate any retirements from the board during the reporting period:

Name of director	Category of director at retirement	Date of retirement
JOSÉ ANTONIO SEGURADO GARCÍA	Independent	16/02/2017
RUDOLF-AUGUST OETKER	Proprietary	01/06/2017

C.1.3 Complete the following tables on the types of board members:

### **EXECUTIVE DIRECTORS**

Name of Director	Position in company's organisation
ANTONIO HERNÁNDEZ CALLEJAS	CHAIRMAN
HERCALIANZ INVESTING GROUP, S.A.	NO POSITION HELD IN THE COMPANY'S ORGANISATION. SEE EXPLANATORY NOTE ONE, SECTION H.

<b>Total number of executive directors</b>	2
<b>% of board</b>	16.67%

### **NON-EXECUTIVE PROPRIETARY DIRECTORS**

Name of Director	Name of significant shareholder represented or that proposed appointment
DEMETRIO CARCELLER ARCE	SOCIEDAD ANÓNIMA DAMM
ALIMENTOS Y ACEITES, S.A.	SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES
EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.	EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.
GRUPO TRADIFÍN, S.L.	GRUPO TRADIFÍN, S.L.
CORPORACIÓN ECONÓMICA DELTA, S.A.	SOCIEDAD ANÓNIMA DAMM
JAVIER FERNÁNDEZ ALONSO	CORPORACIÓN FINANCIERA ALBA, S.A.

<b>Total number of proprietary directors</b>	6
<b>% of board</b>	50.00%

### **NON-EXECUTIVE INDEPENDENT DIRECTORS**

**Name of Director**  
FERNANDO CASTELLÓ CLEMENTE

**Profile:**

Born in Mollerusa (Lleida). Industrial Engineer and MBA (IESE). Lecturer at the School of Engineers and Architects of Fribourg (Switzerland). Has held several important executive and management positions in companies operating in the dairy sector and has extensive experience in the sector. Currently Vice-Chairman of Merchpensión, S.A. and on the board of other consultancy and financial services companies.

**Name of Director**

MERCEDES COSTA GARCÍA

**Profile:**

Born in Lérida. Law graduate from Central University of Barcelona and Master's Degree in Corporate Law from the IE Business School. Extensive professional experience as a commercial lawyer at the José Mario Armero law firm, lecturer and researcher in the entire negotiation process. Currently Manager of the Negotiation and Mediation Centre and lecturer in negotiation for master programmes, advanced courses and executive education programmes at the IE Business School of Madrid, in on-site and on-line courses. Also Director of the Negotiation Forum (*Foro Negocia*) and Member of the Good Governance Committee of the IE Business School.

**Name of Director**

JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL

**Profile:**

Born in San Sebastián. Economist and graduate in International Banking. Extensive experience in the financial sector, director and executive positions in several financial institutions and insurance companies, such as Banco Hispano Americano, Mutua Madrileña and Axa Winterthur, among others. Chairman of Rexam Ibérica and Arbitrajes e Inversiones S.L.

**Name of Director**

BELÉN BARREIRO PÉREZ-PARDO

**Profile:**

Born in Madrid. PhD in Political Science, Sociology and Social Anthropology from the Autonomous University of Madrid and Master in Social Sciences from the Juan March Institute of Studies and Research. Over twenty years' experience in scientific analysis of society and counselling on public opinion research. Author of numerous books and academic articles, and visiting lecturer at several universities. Member of the Advisory Board of the Spanish Association of Foundations and founder of MyWord.

<b>Total number of independent directors</b>	4
<b>% of board</b>	33.33%

State whether any director qualified as independent receives from the company or any other company in the same group any sum or gain other than directors' emoluments, or has or has had a business relationship with the company or any other company in its group during the past year, in their own name or as significant shareholder, director or senior executive of a company which has or has had such a relationship.

None of the independent directors is in any of these circumstances.

If appropriate, include a reasoned statement by the board explaining why it considers that the director in question can perform their duties as an independent director.

**OTHER NON-EXECUTIVE DIRECTORS**

Name any other non-executive directors and explain why they cannot be considered proprietary or independent directors and their relationships, with the company or its executives or with the shareholders:

Indicate any variations during the year in the type of each director:

C.1.4 Complete the following table with details of the number of female directors over the past 4 years and the type of female directors:

	Number of female directors				Female directors / total directors of each type (%)			
	2017	2016	2015	2014	2017	2016	2015	2014
<b>Executive</b>	0	0	0	0	0.00%	0.00%	0.00%	0.00%
<b>Proprietary</b>	3	2	2	2	50.00%	33.33%	28.57%	28.57%
<b>Independent</b>	2	1	0	0	50.00%	25.00%	0.00%	0.00%
<b>Other non-executive</b>	0	0	0	0	0.00%	0.00%	0.00%	0.00%
<b>Total</b>	5	3	2	2	41.67%	23.08%	16.67%	16.67%

C.1.5 Explain any measures taken to endeavour to include in the board a number of women to give a balanced composition of men and women directors.

**Explanation of measures**

By virtue of the appointment of a new female independent director in January 2017, women came to represent 30.77% of the board members.

The company thus reached the representation target specified in the Policy for Selecting Candidates, that by 2020 the gender least represented on the Board should account for at least thirty per cent of all the Board members.

In June 2017, the number of women on the board increased by one more.

At the date of this report, there are twelve board members, of which women represent 41.67% (38.46% considering the vacancy currently existing).

C.1.6 Explain any measures agreed by the nomination committee to ensure that the selection procedures are not implicitly biased against the selection of female directors and that a conscious effort is made to include women with the target profile among the candidates:

**Explanation of measures**

No specific measures of this nature have been adopted, the principal criterion applied when selecting candidates to the board being that the selection process should avoid any kind of implicit bias that could involve discrimination on any grounds against any of the candidates.

This notwithstanding, the Policy for Selecting Candidates to be Directors approved by the Board of Directors upholds the following principles: (i) a diversity of expertise, experience and gender on the Board shall be sought; and (ii) in equal conditions, the candidate whose gender is least represented on the board at that time shall be chosen.

In addition, the aforesaid Policy for Selecting Candidates to be Directors expressly contemplates the target that by 2020 the gender least represented on the Board shall account for at least thirty per cent of all the Board members. That target was reached in January 2017 and reinforced in June 2017, when another woman was joined the Board.

See section C.1.5 of this Report.

If, despite the measures taken, if any, there are few or no female directors, explain the reasons that justify this situation:

**Explanation of reasons**

C.1.6 bis Explain the conclusions of the nomination committee on checking compliance with the policy for selecting directors and, in particular, on how that policy is promoting the target that by the year 2020 the number of female directors should represent at least 30% of all the board members.

## Explanation of conclusions

The Nomination and Remuneration Committee considers that the appointments of new Directors agreed in 2016 and 2017 increase the number of independent directors in line with the good governance recommendations and conform to the principles established in the Policy for Selecting Directors. Those principles are intended to: (i) enhance the diversity of expertise and experience on the board, (ii) avoid any implicit bias that may imply any kind of discrimination, and (iii) favour gender diversity, even after the company met the target set for women (as the gender least represented on the board) to represent thirty per cent of the total board members by 2020.

### C.1.7 Explain the form of representation on the board of shareholders with significant interests.

- Alimentos y Aceites, S.A.: significant shareholder and proprietary Director of the Company. See section A.4 regarding its relationship with Sociedad Estatal de Participaciones Industriales.
- Corporación Económica Delta, S.A.: significant shareholder and proprietary Director of the Company. See section A.4 regarding the corporate relationship between Corporación Económica Damm, S.A. and Sociedad Anónima Damm.
- Demetrio Carceller Arce: proprietary Director of the Company upon proposal by Corporación Económica Delta, S.A.
- Javier Fernández Alonso: proprietary Director of the Company upon proposal by Corporación Financiera Alba, S.A.
- Empresas Comerciales e Industriales Valencianas, S.L.: significant shareholder and proprietary Director of the company.
- Grupo Tradifin, S.L.: significant shareholder and proprietary Director of the Company.
- Heralianz Investing Group, S.L.: significant shareholder and executive Director of the Company. See explanatory Note one in section H of this Report regarding its classification as executive (rather than proprietary) Director.

### C.1.8 Explain, if appropriate, why proprietary directors have been appointed at the request of shareholders holding less than 3% of the capital:

State whether any formal requests for presence on the board have been rejected from shareholders holding interests equal to or greater than others at whose request proprietary directors have been appointed. If appropriate, explain why such requests were not met:

YES  NO

### C.1.9 State whether any director has retired before the end of their term of office, whether said director explained the reasons for such decision to the Board and through what means, and if the explanations were sent in writing to the entire Board, explain below at least the reasons given by the director:

#### **Name of director:**

JOSÉ ANTONIO SEGURADO GARCÍA

#### **Reason for retirement:**

Death.

#### **Name of director:**

RUDOLF-AUGUST OETKER

#### **Reason for retirement:**

He stepped down for personal and professional reasons, tendering his resignation in a letter addressed to the Chairman of the Board and giving a verbal explanation to all the Directors after the last AGM, held on 1 June 2017.

C.1.10 Indicate the powers delegated to the Managing Director(s), if any:

C.1.11 Name Board members, if any, who are also directors or executives of other companies in the same group as the listed company:

Name of director	Name of Group company	Position	Has executive duties?
ANTONIO HERNÁNDEZ CALLEJAS	VOGAN, LTD	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	JOSEPH HEAP PROPERTY, LTD	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	JOSEPH HEAP&SONS, LTD	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	A.W. MELLISH, LTD	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	ANGLO AUSTRALIAN RICE, LTD	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	HEAP COMET, LTD	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	RIVIANA FOODS, INC.	CHAIRMAN	YES
ANTONIO HERNÁNDEZ CALLEJAS	PASTIFICIO LUCIO GAROFALO, S.P.A.	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	N&C BOOST, N.V.	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	BOOST NUTRITION, C.V.	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	BOSTO PANZANI BENELUX, N.V.	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	EBRO FOODS, GMBH	JOINT & SEVERAL DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	T.A.G. NAHRUNGSMITTEL, GMBH	JOINT & SEVERAL DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	BERTOLINI IMPORT UND EXPORT, GMBH	JOINT & SEVERAL DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	HERBA GERMANY, GMBH	JOINT & SEVERAL DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	PANZANI, S.A.S.	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	S&B HERBA FOODS, LTD	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	ARROZEIRAS MUNDIARROZ. S.A.	CHAIRMAN	YES
ANTONIO HERNÁNDEZ CALLEJAS	GEOVITA FUNCTIONAL INGREDIENTS, S.r.L.	CHAIRMAN	YES
ANTONIO HERNÁNDEZ CALLEJAS	HERBA INGREDIENTS BELGIUM B, B.V.B.A.	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	HERBA GERMANY, GmbH	JOINT & SEVERAL DIRECTOR	YES

C.1.12 Name the company directors, if any, who are on the Boards of non-group companies listed on Spanish stock exchanges, insofar as the company has been notified:

Name of Director	Listed Company	Position
DEMETRIO CARCELLER ARCE	SACYR, S.A.	VICE-CHAIRMAN 1
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	ENCE ENERGÍA Y CELULOSA, S.A.	DIRECTOR
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	COCA-COLA EUROPEAN PARTNERS	DIRECTOR
JAVIER FERNÁNDEZ ALONSO	EUSKALTEL, S.A.	DIRECTOR
JAVIER FERNÁNDEZ ALONSO	PARQUES REUNIDOS SERVICIOS CENTRALES, S.A.	DIRECTOR

C.1.13 Indicate and, where appropriate, explain whether the company has established rules on the number of directorships its directors may hold:

YES  NO

Explanation of the rules
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Article 32.2 of the Regulations of the Board of Directors establishes, in the “General Duties of Directors”, that Directors shall dedicate to the Company such attention and time as may be necessary to guarantee the effective and adequate fulfilment of each and all of the duties corresponding to their position. Consequently, the maximum number of other Directorships they may hold will be such as to ensure that they are able at all times to meet each and all of their obligations to the Company.

C.1.14 Repealed.

C.1.15 Indicate the overall remuneration of the board:

Remuneration of the board (thousand euros)	5,533
Amount of the vested rights of current directors in pension schemes (thousand euros)	0
Amount of the vested rights of former directors in pension schemes (thousand euros)	0

C.1.16 Name the members of top management who are not executive directors and indicate the aggregate remuneration accrued in their favour during the year:

Name	Position
ANA MARÍA ANTEQUERA PARDO	MANAGER COMMUNICATIONS
LUIS PEÑA PAZOS	SECRETARY OF THE COMPANY AND BOARD
LEONARDO ÁLVAREZ ARIAS	MANAGER I.T.
PABLO ALBENDEA SOLÍS	CHIEF OPERATING OFFICER
ALFONSO FUERTES BARRÓ	FINANCE MANAGER
GABRIEL SOLÍS PABLOS	TAX MANAGER
YOLANDA DE LA MORENA CEREZO	VICE-SECRETARY OF THE BOARD
GLORIA RODRÍGUEZ PATA	CORPORATE ASSETS MANAGER
JESÚS DE ZABALA BAZÁN	MANAGER INTERNAL AUDIT

MANUEL GONZÁLEZ DE LUNA	MANAGER INVESTOR RELATIONS AND FINANCIAL INSTITUTIONS
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<b>Total remuneration top management (thousand euro)</b>	2,219
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C.1.17 Name any board members who are also on the boards of companies holding significant interests in the listed company and/or in companies of its group:

Name of director	Name of significant shareholder	Position
DEMETRIO CARCELLER ARCE	SOCIEDAD ANÓNIMA DAMM	CHAIRMAN
DEMETRIO CARCELLER ARCE	CORPORACIÓN ECONÓMICA DELTA, S.A.	CHAIRMAN

Describe the significant relationships of the board members with the significant shareholders and/or companies in their group, other than as mentioned above:

**Name of director**

ANTONIO HERNÁNDEZ CALLEJAS

**Name of significant shareholder**

HERCALIANZ INVESTING GROUP, S.L.

**Description of relationship**

Antonio Hernández Callejas has a direct interest of 33.333% in Hercalanz Investing Group, S.L., a Director and significant shareholder of Ebro Foods, S.A. He does not hold any position in that company.

**Name of director**

DEMETRIO CARCELLER ARCE

**Name of significant shareholder**

SOCIEDAD ANÓNIMA DAMM

**Description of relationship**

Demetrio Carceller Arce has an interest of 0.823% in Sociedad Anónima Damm

**Name of director**

CORPORACIÓN ECONÓMICA DELTA, S.A.

**Name of significant shareholder**

SOCIEDAD ANÓNIMA DAMM

**Description of relationship**

Sociedad Anónima Damm has a direct interest of 99.99% in Corporación Económica Delta, S.A.

Its representative on the Board of Ebro Foods, S.A., María Carceller Arce, has a direct interest of 0.04% in Sociedad Anónima Damm. She is a Director of Corporación Económica Delta, S.A. and represents a corporate Director on the Board of Sociedad Anónima Damm.

**Name of director**

ALIMENTOS Y ACEITES, S.A.

**Name of significant shareholder**



SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES

**Description of relationship**

Sociedad Estatal de Participaciones Industriales has a direct interest of 91.9625% in Alimentos y Aceites, S.A.

Its representative on the Board of Ebro Foods, S.A., Concepción Ordiz Fuertes, is the company Secretary, Secretary of the Board and legal counsel of Sociedad Estatal de Participaciones Industriales.

**Name of director**

JAVIER FERNÁNDEZ ALONSO

**Name of significant shareholder**

CORPORACIÓN FINANCIERA ALBA, S.A.

**Description of relationship**

Javier Fernández Alonso is the Investment Manager of Corporación Financiera Alba, S.A.

C.1.18 State whether any modifications have been made during the year to the Regulations of the Board:

YES  NO

Description of the modifications
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Modification of Article 24.1 of the Regulations of the Board of Directors to adapt it to the amended Corporate Entities Act in respect of the composition of the Audit and Compliance Committee, following the amendment thereof by virtue of the Audit Act 22/2015 of 20 July.

Following the modification of that Article 24.1 of the Regulations of the Board, at least the majority of the members of the Audit and Compliance Committee must be independent directors.

C.1.19 Describe the procedures for selection, appointment, re-election, assessment and removal of directors. Indicate the competent bodies, the formalities and the criteria to be followed in each of these procedures.

The procedures for selection, appointment, re-election, assessment and removal of the directors are regulated in the Articles of Association and the Regulations of the Board.

There is also a Policy for Selecting Candidates to be Directors of Ebro Foods, S.A., which specifically and verifiably establishes the basic criteria and principles to be followed in the selection of candidates. The Policy is applicable in the appointment, ratification and re-election of directors by the General Meeting and any appointments made by the Board by cooptation in the event of a pre-term vacancy. For candidates who are legal persons, the principles and criteria of the Policy must be observed in respect of the individuals representing them on the Board.

The General Meeting is responsible for deciding on the number of directors the company is to have, within the minimum (7) and maximum (15) established in the Articles of Association, and for appointing or re-electing directors as proposed by the Board, subject to a favourable report by the Nomination and Remuneration Committee.

The Board may also appoint directors by cooptation, subject to a report by the Nomination and Remuneration Committee and by the Board of Directors on the terms stipulated in law.

In any case, the initiative of the Board regarding the incorporation of members by no means detracts from the sovereign power of the General Meeting to appoint and remove directors, or from any potential exercise by shareholders of their right to proportional representation.

The persons nominated by the Board for appointment or re-appointment as directors, or by the Nomination and Remuneration Committee in the case of independent directors, must be persons of recognised repute, with adequate experience and expertise to be able to perform their duties.

See the duties of the Nomination and Remuneration Committee in section C.2.1 of this Report for the role of that Committee in the appointment of Directors.

Directors are appointed for a term of four years, after which they are eligible for re-election on one or several occasions for terms of an equal duration. This term of four years is counted from the date of the General Meeting at which they are appointed, or ratified when previously appointed by cooptation by the Board.

If vacancies arise during the term for which they were appointed, the Board may appoint shareholders to fill those vacancies up to the next general meeting. Directors' appointments shall end at the first general meeting held after expiry of their term or lapse of the time stipulated in law for holding the general meeting that is to approve the accounts of the previous year.

The appointment and re-election procedure shall be preceded by the corresponding reports from the Nomination and Remuneration Committee and the Board, on the terms stipulated in law.

The Board regularly (annually) rates the Board, Chairman and Committees on their efficiency and fulfilment of their obligations, requesting the corresponding reports from its Committees and, if considered necessary, proposing any modifications that may be appropriate to improve their performance.

Directors retire upon expiry of the term for which they were appointed and in all other events stipulated in law, the Articles of Association or the Regulations of the Board. They must tender their resignations to the Board and step down in the events established in the Regulations of the Board.

**C.1.20 Explain to what extent the annual assessment of the board has given rise to major changes in its internal organisation and the procedures applicable to its activities.**

<b>Description of modifications</b>
<p>The 2017 annual assessment of the Board, Committees and Chairman, made with assistance from an external independent adviser, is pending the final report issued by that adviser, so the Company has no final conclusions on this point at the date of this Report.</p> <p>Nevertheless, the annual assessments made in previous years did not reveal any material incidents giving rise to major changes in the internal organisation or the procedures applicable to their activities.</p>

**C.1.20.bis Describe the process of assessment and the areas assessed by the board, assisted where necessary by an external consultant, on diversity in its composition and powers, the procedure and composition of its committees, the performance by the chairman of the board and CEO of the company and the performance and contribution of each director.**

**A) Process of self-assessment:**

A self-assessment process is carried out every year on the Board, its Committees and the executive Chairman of the Company. That process is based on (i) a report prepared by the Nomination and Remuneration Committee for presentation to the Board, (ii) the activity reports of the Audit and Compliance Committee and the Nomination and Remuneration Committee, and (iii) the resolutions adopted by the Board of Directors in view of the foregoing.

**B) Methods used:**

The Board members complete a questionnaire rating certain aspects regarding the quality and efficiency of the Board procedures, the actions performed by the chairman of the board, who is at the same time the chief executive of the Company, and the procedure of the executive Committee and other Board Committees.

They can also make other comments, should they deem fit, on the functioning of the Board, its Committees and the executive Chairman.

**C) Areas assessed:**

- Composition of the Board and actions by the Directors: assessment on the quantitative and qualitative composition of the Board and their perception of the performance by other Directors of their duties.
- Procedure of the Board: assessment of the functioning of the Board, frequency of meetings, procedure for calling meetings, remittance of documentation for the meetings and quality of those documents, transaction of business within the Board and powers of the Board.
- Chairman of the Board: assessment on the dedication and actions by the Chairman, both as such and in his capacity as chief executive of the Company.
- Committees of the Board: assessment of the directors' perception, from the Board, of the role of the Board Committees and perception of the members of the Board Committees on their functioning.

The 2017 annual assessment of the board, committees and chairman has been made with assistance from an independent external adviser and is pending conclusion at the date of this Report.

C.1.20.ter Describe, where appropriate, any business relations between the consultant or any company in its group with the company or any other company in its group.

During 2017, the external consultant provided personnel selection services for a subsidiary of the Ebro Foods Group for a charge of €6 thousand.

C.1.21 State the events in which directors are obliged to step down.

The retirement and resignation of directors are regulated in Article 31 of the Regulations of the Board of Directors:

- Directors must step down at the end of the term for which they were appointed and in all other events stipulated in law, the Articles of Association and the Regulations of the Board.

- Directors must also tender their resignations and step down in the following cases:

a) When they are affected by one of the causes of incompatibility or disqualification established in law, the Articles of Association or the Regulations of the Board.

b) When they step down from the executive post to which their appointment as director was linked, when the shareholder they represent on the Board disposes of all its shares in the Company or reduces its interest to an extent requiring a reduction in the number of proprietary Directors and, in general, whenever the reasons for their appointment disappear.

c) When the Board, following a report by the Nomination and Remuneration Committee, considers that the Director has seriously defaulted his obligations or for reasons of corporate interest.

C.1.22 Repealed.

C.1.23 Are special majorities differing from those stipulated in law required for any type of decision?

YES  NO

If yes, describe the differences:

C.1.24 Are there any specific requirements, other than those established for directors, to be appointed Chairman?

YES  NO

C.1.25 Does the Chairman have a casting vote?

YES  NO

<b>Matters for which there is a casting vote</b>
--

All matters.

C.1.26 Do the Articles of Association or Regulations of the Board establish an age limit for directors?

YES  NO

C.1.27 Do the Articles of Association or Regulations of the Board establish a limited term of office for independent directors other than as stipulated in law?

YES  NO

C.1.28 Do the Articles of Association or Regulations of the Board establish specific rules for the delegation of votes at board meetings, how they are to be delegated and, in particular, the maximum number of delegations that a director may hold, and whether any limitation has been established regarding the categories to which proxies may be granted, other than those established in law? If yes, include a brief description.

Both the Articles of Association (Article 24) and the Regulations of the Board (Article 20) contemplate the possibility of Directors attending Board meetings through a duly authorised proxy.

The proxy must be made in advance, in writing, specially for each Board meeting, in favour of another Director.

The represented Director may issue specific voting instructions for any or all of the items on the agenda.

Non-executive Directors may only grant proxies to other non-executive Directors.

No limit is established on the number of proxies any one Director may hold, or any limitation on the categories to which proxies may be granted.

C.1.29 State the number of meetings held by the Board of Directors during the year, indicating, if appropriate, how many times the Board has met without the Chairman. Proxies made with specific instructions will be considered attendances:

<b>Number of board meetings</b>	11
<b>Number of board meetings held without the chairman</b>	0

If the chairman is an executive director, indicate the number of meetings held without the attendance or representation of any executive director and chaired by the lead independent director.

<b>Number of meetings</b>	1
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Indicate the number of meetings held by the different Committees of the Board:

<b>Committee</b>	<b>No. meetings</b>
EXECUTIVE COMMITTEE	7
AUDIT AND COMPLIANCE COMMITTEE	6
NOMINATION AND REMUNERATION COMMITTEE	8
STRATEGY AND INVESTMENT COMMITTEE	0

C.1.30 State the number of meetings held by the Board during the period attended by all its members. Proxies made with specific instructions will be considered attendances:

<b>Number of meetings attended by all the directors</b>	9
<b>% attendance over total votes during the year</b>	81.82%

C.1.31 Are the separate and consolidated annual accounts submitted to the Board for approval previously certified?

YES  NO

If yes, name the person(s) who certify the separate or consolidated annual accounts of the company before they are approved by the Board:

C.1.32 Explain the mechanisms, if any, established by the Board to avoid a qualified auditors' report on the separate and consolidated accounts laid before the General Meeting.

Relations with the auditors are expressly regulated in Article 43 of the Regulations of the Board of Directors.

The Board shall establish an objective, professional and continuous relationship with the external auditors of the Company appointed by the General Meeting, guaranteeing their independence and providing them with all the information they may require to perform their duties. This relationship and the relationship with the Internal Audit Manager shall be channelled through the Audit and Compliance Committee. Furthermore, the Board shall endeavour to draw up the Annual Accounts in such a way as to avoid a qualified Auditors' report.

Within the specific duties attributed to the board in certain areas, Article 9 of the Regulations establishes that the Board shall see that the separate and consolidated Annual Accounts and Directors' Reports give a true and fair view of the equity, financial position and results of the Company, as stipulated in law, and each and all of the Directors shall have all the necessary information before signing the Annual Accounts.

Article 24.4 of the Regulations of the Board gives the Audit and Compliance Committee certain powers to ensure that the Annual Accounts are filed without a qualified auditors' report (see section C.2.4 of this Report).

Finally, there is a Risks Control and Management Policy established in the Group laying down the basic principles and the general framework for control and management of the business risks, including tax risks, and internal control of financial reporting to which the Company and other companies in its Group are exposed.

As regards the control of financial reporting, the Group has procedures in place for checking and authorising financial reporting and a description of the financial reporting internal control system (FRICS), responsibility for which lies with the Economic Department, the Risks Committee, the economic and finance departments of the different business units, the Audit and Compliance Committee and the Board. Financial information is checked and authorised up by the Economic Department of the Group on the basis of the information confirmed in the different business units. The information to be remitted to the market is supervised by the Audit and Compliance Committee and approved by the Board.

**C.1.33 Is the Secretary of the Board a Director?**

YES  NO

If the secretary is not a director, complete the following table:

Name of Secretary	Representative
LUIS PEÑA PAZOS	

**C.1.34 Repealed.**

**C.1.35. Describe any mechanisms established by the company to preserve the independence of the auditor, financial analysts, investment banks and rating agencies.**

A. With regard to the external auditors:

Both the Articles of Association and the Regulations of the Board of Directors vest in the Audit and Compliance Committee the power, among others, to contact the auditors and receive information on any issues that may jeopardise their independence, for examination by the Audit Committee, as well as any other issues relating to the auditing of accounts. The Committee shall also receive information from and exchange communications with the auditors in accordance with prevailing auditing standards and legislation, notwithstanding the ultimate responsibility of the Board of Directors, which, pursuant to Article 8.1.3.(a) of the Regulations of the Board is responsible for ensuring the independence and professional suitability of the external auditor.

Article 43 of the Regulations of the Board addresses relations with the auditors, obliging the Board to establish an objective, professional, continuous relationship with the External Auditors of the Company appointed by the General Meeting, guaranteeing their independence and putting at their disposal all the information they may require to perform their duties. It further establishes that the aforesaid relationship with the External Auditors of the Company and the relationship with the Internal Audit Manager shall be conducted through the Audit and Compliance Committee.

Finally, Article 24.4 of the Regulations of the Board establishes the following powers of the Audit and Compliance Committee in this respect:

- Supervise and promote the policies, procedures and systems used for drawing up and controlling the company's financial information, checking the services performed in this regard by the Internal Audit Department, the Financial Department and the Management Committee and making sure they are correctly distributed throughout the Group.
- Receive the information sent regularly to the Stock Exchange Councils, issue prospectuses and any public financial information offered by the Company and, in general, all information prepared for distribution among

shareholders, ensuring the existence of internal control systems that guarantee the transparency and truth of the information.

- Ensure that (i) the systems used for preparing the separate and consolidated Annual Accounts and Directors' Report submitted to the Board to be authorised for issue in accordance with current legislation give a true and fair view of the equity, financial position and results of the Company and make sure that any interim financial statements are drawn up according to the same accounting principles as the annual accounts, considering the possibility of asking the external auditors to make a limited audit if necessary; and (ii) the Board of Directors endeavours to submit the annual accounts to the General Meeting with an unqualified auditors' report.

In this respect, it shall also see that the internal control systems are adequate and effective in respect of the accounting practices and principles used for drawing up the company's annual accounts, supervising the policies and procedures established to ensure due compliance with applicable legal provisions and internal regulations. The Committee shall, through its Chairman, obtain information and collaboration from both the Internal Audit Manager and the external auditors to perform these duties.

- Establish regular contact with the external auditors to receive information on any issues that may jeopardise their independence, and any other issues relating to the auditing of accounts, receiving information from and exchanging communications with the external auditors in accordance with prevailing auditing standards and legislation.

- Be informed of the decisions adopted by the senior management according to recommendations made by the external auditors in connection with the audit.

- Ensure the independence of the external auditors and the existence of a discussion procedure enabling the external auditors, the Internal Audit Department and any other expert to inform the company of any significant weaknesses in its internal control detected while checking the annual accounts or any other processes in which they have worked. The Committee shall issue an annual report, prior to issuance of the auditor's report, expressing an opinion on the independence of the external auditors and any supplementary services they may have provided.

B. With regard to relations with analysts, investment banks and rating agencies:

The Company has a Policy on Communication and Relations with Shareholders, Institutional Investors and Proxy Advisors approved by the Board of Directors, and a shareholder and investor relations Department, through which communications and information for investors in general are channelled.

Article 42 of the Regulations of the Board regulates the Company's relations with shareholders and the markets in general, providing that the Board of Directors shall take such measures as may be necessary to enable participation by shareholders in general meetings and organise meetings to inform the shareholders and investors (particularly institutional investors) on the progress of the Company and, where appropriate, its subsidiaries.

The Policy on Communication and Relations with Shareholders, Institutional Investors and Proxy Advisors contemplates the following general principles applicable in this matter:

- Communication and relations with shareholders, institutional investors and proxy advisors shall be conducted in accordance with the principles of transparency, truth and permanent, adequate, timely reporting.

- The principle of non-discrimination and equal treatment is recognised for all shareholders who are in the same conditions and not affected by conflicts of interest or competence.

- The rights and legitimate interests of all shareholders shall be protected.

- Continuous, permanent communication with shareholders and investors shall be encouraged.

- Reporting and communication channels shall be established with shareholders and investors to ensure compliance with these principles.

The Company's Audit and Compliance Committee is responsible for overseeing compliance with the rules and principles set out in the Policy on Communication and Relations with Shareholders, Institutional Investors and Proxy Advisors.

C.1.36 Indicate whether the external auditors have changed during the year. If so, name the incoming and outgoing auditors:

YES  NO

Explain any disagreements with the outgoing auditor:

C.1.37 State whether the firm of auditors does any work for the company and/or its group other than standard audit work and if so, declare the amount of the fees received for such work

and the percentage it represents of the total fees invoiced to the company and/or its group:

YES  NO

	Company	Group	Total
Cost of work other than auditing (thousand euros)	224	393	617
Cost of work other than auditing / Total amount invoiced by the auditors (%)	54.63%	21.03%	27.07%

C.1.38 Indicate whether the auditors' report on the annual accounts of the previous year was qualified. If so, state the reasons given by the Chairman of the Audit Committee to explain the content and scope of the qualifications.

YES  NO

C.1.39 State the number of years in succession that the current firm of auditors has been auditing the annual accounts of the company and/or its group. Indicate the ratio of the number of years audited by the current auditors to the total number of years that the annual accounts have been audited:

	Company	Group
Number of years in succession	4	4
Number of years audited by current auditors / Number of years that the company has been audited (%)	14.80%	14.80%

C.1.40 Indicate, giving details if appropriate, whether a procedure has been established for directors to receive external counselling:

YES  NO

**Details of procedure**

The directors' right to counselling and information is regulated in Article 40 of the Regulations of the Board, which provides that:

- Any Director may, in the course of any specific duties commissioned to them on an individual level or within the framework of any of the Committees of the Board, request the Chairman to contract, at the Company's expense, such legal advisers, accountants, technical, financial or commercial experts or others as they may consider necessary, in order to assist them in the performance of their duties, provided such counselling is justified to resolve specific problems that are particularly complex and important.

- Considering the circumstances of the specific case, the Chairman may deny or authorise the proposal in a communication sent through the Secretary of the Board, who shall contract the expert in question, provided the proposal is authorised.

- The Chairman may also put the proposal to the Board, which may refuse to finance the counselling if (i) it is considered unnecessary for discharging the duties commissioned, (ii) the amount of finance required is considered out of proportion with the importance of the matter, or (iii) the Board considers that the technical assistance requested could be adequately provided by Company employees.

C.1.41 Indicate, with details if appropriate, whether there is an established procedure for directors to obtain sufficiently in advance any information they may need to prepare the meetings of the governing bodies:

YES  NO

**Details of procedure**

<b>Details of procedure</b>
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Article 40 of the Regulations of the Board of Directors establishes the Directors' right to counselling and information, providing that:

- Directors shall, whenever so required in the performance of their duties, have the fullest powers to obtain information on any matter whatsoever, obtaining such documents, records, background information or other elements as they may require in this respect. This right to information is extended to subsidiaries of the Group.

- Directors shall address their requests for information to the Chairman and they will be dealt with by the Secretary of the Board, who shall supply the information directly or indicate who is to be contacted within the Company and, in general, establish the necessary measures to fully meet the Director's right to information.

As a rule, all documents supporting the business to be transacted at Board meetings are sent together with the notice of call.

C.1.42 Indicate, with details if appropriate, whether the company has established any rules obliging Directors to report and, if necessary, retire in any situations that could be detrimental to the prestige and reputation of the company:

YES  NO

<b>Explain the rules</b>
--------------------------

Article 31 ("Retirement of Directors") of the Regulations of the Board of Directors, in Chapter VII ("Directors' Statute") provides as follows:

(i) Directors shall step down and tender their resignation when they are affected by one of the cases of incompatibility or disqualification established in law, the Articles of Association or the Regulations of the Board; and

(ii) If a Director is prosecuted or an order is passed to commence trial against him for any offences contemplated in the applicable laws and regulations, he shall notify the Board as promptly as he is able. The Board shall study the case as soon as possible and, in view of the specific circumstances, decide whether or not that Director should remain in office, reporting on that decision and the underlying reasons in the Annual Corporate Governance Report.

C.1.43 Have any members of the Board informed the company that they have been sued or brought to trial for any of the offences contemplated in s. 213 of the Corporate Enterprises Act?

YES  NO

State whether the Board has studied the case. If so, indicate and explain the decision made as to whether or not the director should remain in office or, if appropriate, describe the actions taken by the board up to the date of this report, or which it plans to take.

C.1.44 Describe any significant agreements entered into by the company which enter into force, are modified or terminated in the event of a takeover of the company following a takeover bid, and the effects thereof.

Most of the financing agreements signed by the Company include takeover clauses on the usual terms for this type of contract. By virtue of those provisions, the lender reserves the right to terminate the financing agreement in the event of a takeover of the Company. Although there is no uniform definition of "takeover" for this purpose, the lender's right is triggered if there is a substantial change in the Company's significant shareholders.

C.1.45 Indicate globally and describe in detail any agreements made between the company and its directors, executives or employees contemplating golden handshake clauses in the event of resignation or unfair dismissal or termination of employment following a takeover bid or any other type of transaction.

**Number of beneficiaries: 2**



**Type of beneficiary:**

Executives

**Description of the agreement:**

Although the contracts of two executives contain golden handshake clauses for cases of dismissal or takeover, those clauses are no longer applicable, on their own terms.

State whether these contracts have to be notified to and/or approved by the governing bodies of the company/group companies:

	Board of Directors	General Meeting
Body authorising the clauses	Yes	No

	Yes	No
Is the General Meeting informed on the clauses?	X	

**C.2 Committees of the Board**

C.2.1 Give details of the different committees, their members and the proportion of executive, proprietary, independent and other non-executive directors in each committee:

**EXECUTIVE COMMITTEE**

Name	Position	Type
ANTONIO HERNÁNDEZ CALLEJAS	CHAIRMAN	Executive
DEMETRIO CARCELLER ARCE	MEMBER	Proprietary
JAVIER FERNÁNDEZ ALONSO	MEMBER	Proprietary

% executive directors	33.33%
% proprietary directors	66.67%
% independent directors	0.00%
% other non-executive directors	0.00%

Explain the duties attributed to this committee, describe the procedures and rules of organisation and procedure and summarise its most important actions during the year.

Articles 19 and 27 of the Articles of Association contemplate the delegation of powers of the Board of Directors to the Executive Committee.

The composition, organisation and procedure of the Executive Committee is governed by the provisions common to all the committees set out in Article 22 of the Regulations of the Board of Directors, and the specific regulations established in Article 28.1 of the Articles of Association and Article 23 of the Regulations of the Board.

The powers of this Committee are set out in Article 23.2 of the Regulations of the Board, without prejudice to what the Board may establish in its resolution to delegate powers.

The Executive Committee shall have no fewer than three nor more than seven members, including the Chairman and Vice-Chairman of the Board, who will form part of this Committee.

The Committee shall be presided by the Chairman of the Board. In general, one Executive Committee meeting will be held a month. Its meetings may be attended by such members of the management, employees and advisers of the Company as the Committee may deem fit.

Without prejudice to the autonomy of decision of the Executive Committee in respect of the delegated powers, its resolutions normally being fully valid and effective without ratification by the Board, if the Chairman or three members of the Committee consider this necessary in the circumstances, the resolutions adopted by the Executive Committee shall be submitted to the Board for ratification. This will also be applicable when the Board has delegated the Committee to study certain matters while reserving for itself the ultimate decision, in which case the Executive Committee shall merely submit the corresponding proposal to the Board.

During 2017, the Executive Committee assessed several investments, divestments and sales of assets, as well as the strategic decisions to be adopted in respect of the different business lines.

See explanatory Note seven in section H of this Report for the current composition of this Committee following the changes in the Board of Directors since 31 December 2017.

State whether the composition of this committee reflects the participation in the Board of the different categories of director:

YES  NO

**If no, explain the composition of the executive committee**

Following the death on 16 February 2017 of an independent Director who was on the Executive Committee, this Committee has one executive Director (the Chairman of the Board, who in turn chairs this Committee) and two proprietary Directors.

The Company is aware of this situation and is working to fill the vacancy left on the Board following his death with an independent Director, who would join the Executive Committee.

**AUDIT AND COMPLIANCE COMMITTEE**

Name	Position	Type
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	CHAIRMAN	Independent
FERNANDO CASTELLÓ CLEMENTE	MEMBER	Independent
BELÉN BARREIRO PÉREZ-PARDO	MEMBER	Independent
MERCEDES COSTA GARCÍA	MEMBER	Independent
GRUPO TRADIFÍN, S.L.	MEMBER	Proprietary

<b>% proprietary directors</b>	20.00%
<b>% independent directors</b>	80.00%
<b>% other non-executive directors</b>	0.00%

Explain the duties attributed to this committee, describe the procedures and rules of organisation and procedure and summarise its most important actions during the year.

The Audit and Compliance Committee is governed by the applicable legal provisions, the specific rules on composition, organisation, procedure and powers established in Article 28.2 of the Articles of Association and Article 24 of the Regulations of the Board of Directors and the provisions on organisation and procedure common to all the Committees set out in Article 22 of the Regulations of the Board.

This Committee has a minimum of three Directors and a maximum of five.

All the members of this committee must be non-executive Directors, at least the majority must be independent Directors and one of the members must be appointed on account of their expertise and experience in accounting, auditing or both.

The Board shall appoint one of the independent Directors on the Audit and Compliance Committee to chair that Committee, subject to a report by the Nomination and Remuneration Committee. The Committee Chairman shall be replaced every four years and will become eligible for re-election one year after his retirement as such.

Meetings are held when called by its Chairman, or at the request of two of its members and at least once every three months. It shall also meet whenever so required by law or when the Board requests the issuance of reports, submission of proposals or adoption of resolutions within the scope of its duties.

In addition to those assigned to it by law, regulations or the Articles of Association, the Audit and Compliance Committee shall have the powers of supervision, monitoring, control and reporting to the Board established in Article 24.4 of the Regulations of the Board regarding the following matters:

- Risk management and internal control: it shall supervise and promote internal control of the company and the risk management systems, submit recommendations to the Board for a decision on the risk management and control policy, including tax risks, and ensure the adequacy and effectiveness of the internal control systems in relation to the accounting principles and policies used to prepare the Company's financial statements and annual accounts.

- Financial reporting and annual accounts: it shall ensure that (i) the systems used for preparing the financial reporting and annual accounts conform to current laws and regulations and portray a true and fair view of the equity, financial position and results of the Company and (ii) the Board of Directors endeavours to submit the

annual accounts to the General Meeting with an unqualified auditors' report.

- Relations with the internal and external auditors: it shall submit to the board, to be tabled at the General Meeting, proposals for the selection, appointment, re-appointment and replacement of the Company's external auditors and their terms of contract, the scope of their commission and the renewal or revocation of their engagement. It shall also ensure the independence of the external auditors, issuing an annual report, prior to issuance of the auditor's report, expressing an opinion on the independence of the external auditors and any supplementary services they may have provided.

- Intragroup transactions, related party transactions and conflicts of interest: it shall oversee and report to the Board of Directors on intragroup and related party transactions of the Company or subsidiaries and settle any conflicts of interest that may arise between the Company or the Group and its Directors, executives and significant shareholders.

- Whistleblowing channel: it shall investigate and solve any issues reported through this channel, paying special attention to those involving possible falsehood or misrepresentation in financial or accounting documents and possible fraud.

- Internal codes of conduct and rules of corporate governance: it shall supervise compliance with these codes and rules and, in particular, it shall oversee the implementation of and compliance with the internal regulations and codes applicable to the risk management and control systems, especially in relation to the financial reporting process.

During 2017, the Audit and Compliance Committee performed activities of supervision, control, monitoring and reporting to the Board of Directors in respect of the matters falling within its competence, including financial reporting, annual accounts, relations with the auditors, risk management and control systems, including tax risks, related party transactions, conflicts of interest, whistleblowing channel and compliance.

The Company will issue a detailed report of all the activities performed by the Audit and Compliance Committee during 2017, which will be made available to all shareholders prior to the forthcoming AGM 2018.

Name the member of the audit committee who has been appointed on account of his expertise and experience in accounting, auditing or both and indicate the number of years that the chairman of this committee has held this position:

<b>Name of director with experience</b>	JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL
<b>No. years that the chairman has been in office</b>	3

### **NOMINATION AND REMUNERATION COMMITTEE**

<b>Name</b>	<b>Position</b>	<b>Type</b>
FERNANDO CASTELLÓ CLEMENTE	CHAIRMAN	Independent
DEMETRIO CARCELLER ARCE	MEMBER	Proprietary
MERCEDES COSTA GARCÍA	MEMBER	Independent
GRUPO TRADIFÍN, S.L.	MEMBER	Proprietary

<b>% proprietary directors</b>	50.00%
<b>% independent directors</b>	50.00%
<b>% other non-executive directors</b>	0.00%

Explain the duties attributed to this committee, describe the procedures and rules of organisation and procedure and summarise its most important actions during the year.

The Nomination and Remuneration Committee is governed by the applicable legal provisions, the specific rules on composition, organisation and procedure established in Article 28.3 of the Articles of Association and Article 25 of the Regulations of the Board of Directors and the provisions on organisation and procedure common to all the committees set out in Article 22 of the Regulations of the Board.

The powers of the Nomination and Remuneration Committee are regulated in Article 25.4 of the Regulations of the Board, without prejudice to any others that may be assigned to it by law, the Articles of Association or the Regulations of the Board.

This Committee has a minimum of three and a maximum of five non-executive Directors, at least two of which must be independent Directors. The members are appointed by the Board of Directors.

The Board shall appoint one of the independent Directors who are members of the Committee to chair it, subject to a report by that Committee.

Meetings are held when called by its Chairman, or at the request of two of its members and at least once every three months. It shall also meet whenever so required by law or when the Board of Directors requests the issuance of reports, submission of proposals or adoption of resolutions within the scope of its duties.

Pursuant to Article 25.4 of the Regulations of the Board, the Nomination and Remuneration Committee is competent to study, issue reports and submit proposals to the Board on the following matters:

- selection of candidates to join the Board of Directors;
- appointment of the Chairman, and Vice-Chairman if any, of the Board, Managing Director(s), Lead Independent Director and the Secretary, and Vice-Secretary if any, of the Board;
- succession of the Chairman and chief executive;
- appointment of Directors to the Committees of the Board of Directors;
- appointment and possible dismissal of senior executives and their termination benefit clauses;
- directors' emoluments, according to the system of remuneration established in the Articles of Association and the executive Directors' relationship with the Company;
- remuneration of Directors and executives indexed to the value of the shares in the Company or its subsidiaries or consisting of the delivery of shares in the Company or its subsidiaries or the granting of options thereover;
- selection policy for Directors, targets for the representation of the least represented gender on the Board and issuance of guidelines on how to achieve them;
- remuneration policy for Directors and senior management of the Company and Group subsidiaries;
- management training, promotion and selection policy in the Company and Group subsidiaries;
- Annual Report on Directors' Remuneration.

During 2017 the Nomination and Remuneration Committee performed the following activities, among others:

- It issued the corresponding reports on appointments, ratification and re-election of directors and, where appropriate, the individuals representing corporate directors, and their appointment to the different committees of the Board of Directors, following assessment of the candidates and submission to the Board of the corresponding nomination, for independent Directors.
- Following due assessment of the candidate, it submitted a nomination to the Board for appointment of a new Lead Independent Director, following the death in February 2017 of the director who formerly held this position.
- It submitted a proposal to the Board for raising the directors' statutory remuneration for 2016, payable in 2017.

The Company will issue a detailed report of all the activities performed by the Nomination and Remuneration Committee during 2017, which will be made available to all shareholders prior to the forthcoming AGM 2018.

### **STRATEGY AND INVESTMENT COMMITTEE**

Name	Position	Type
DEMETRIO CARCELLER ARCE	CHAIRMAN	Proprietary
ANTONIO HERNÁNDEZ CALLEJAS	MEMBER	Executive
JAVIER FERNÁNDEZ ALONSO	MEMBER	Proprietary
HERCALIANZ INVESTING GROUP, S.L.	MEMBER	Executive

<b>% executive directors</b>	50.00%
<b>% proprietary directors</b>	50.00%
<b>% independent directors</b>	0.00%
<b>% other non-executive directors</b>	0.00%

Explain the duties attributed to this committee, describe the procedures and rules of organisation and procedure and summarise its most important actions during the year.

Article 28.4 of the Articles of Association stipulates that the Regulations of the Board of Directors shall also contemplate the existence of a Strategy and Investment Committee, the members of which may be any Directors.

The composition, organisation and procedure of the Strategy and Investment Committee are governed by the provisions common to all the committees set out in Article 22 of the Regulations of the Board and the specific provisions established in Article 24 of the Articles of Association, its powers being regulated in Article 24.3.

This Committee has a minimum of three and a maximum of five Directors, including a Chairman, appointed by the Board of Directors subject to a report by the Nomination and Remuneration Committee.

Meetings are held when called by its Chairman or at the request of two of its members, and in any case whenever the Board of Directors requests the issuance of reports, submission of proposals or adoption of resolutions within the scope of its duties.

The Committee is competent to study, issue reports and submit proposals for the Board on the following matters:

- setting of targets for growth, yield and market share;
- strategic development plans, new investments and restructuring processes;
- coordination with subsidiaries in the matters contemplated in paragraphs (a) and (b) above, for the common interests and benefit of the Company and its subsidiaries.

After its meeting on 16 November 2016, this Committee met again on 7 February 2018 to review the Ebro Foods Group Strategic Plan 2016-2018.

See explanatory Note seven in section H of this Report for the current composition of this Committee following the changes within the Board of Directors produced after 31 December 2017.

**C.2.2 Complete the following table with information on the number of female directors on the board committees over the past four years:**

	Number of female directors							
	2017		2016		2015		2014	
	No.	%	No.	%	No.	%	No.	%
EXECUTIVE COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%
AUDIT AND COMPLIANCE COMMITTEE	3	60.00%	2	40.00%	1	25.00%	2	40.00%
NOMINATION AND REMUNERATION COMMITTEE	2	50.00%	1	25.00%	1	25.00%	2	40.00%
STRATEGY AND INVESTMENT COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%

**C.2.3 Repealed.**

**C.2.4 Repealed.**

**C.2.5 Indicate the existence, if appropriate, of regulations of the board committees, where they are available for consultation and any modifications made during the year. State whether an annual report has been issued voluntarily on the activities of each committee.**

In general, Article 28 of the Articles of Association establishes the basic regulation of the Committees of the Board, contemplating the existence and composition of (i) the Executive Committee, (ii) the Audit and Compliance Committee and (iii) the Nomination and Remuneration Committee. It also refers to the Regulations of the Board of Directors regarding the possible existence of a Strategy and Investment Committee.

The Regulations of the Board regulate the Board committees in the following specific provisions:

- General provisions applicable to all the committees: Article 22
- Executive Committee, Article 23
- Audit and Compliance Committee, Article 24
- Nomination and Remuneration Committee, Article 25
- Strategy and Investment Committee, Article 26

The Regulations of the Board also contemplate in different articles the powers of the different Committees of the Board in different areas (e.g. modification of the Regulations).

Both the Articles of Association and the Regulations of the Board are available for consultation on the Company's website (www.ebrofoods.es). The Regulations of the Board are also published and available for consultation on the website of the National Securities Market Commission (www.cnmv.es).

Both the Audit and Compliance Committee and the Nomination and Remuneration Committee issue annual activity reports, which are submitted to the Board of Directors for its information and consideration within the assessment of the Board and its Committees. Those activity reports are made available for shareholders on the company's website coinciding with the call to the Annual General Meeting.

C.2.6 Repealed.

## D. RELATED PARTY AND INTER-COMPANY TRANSACTIONS

D.1 Explain the procedure, if any, for approving related party and inter-company transactions.

### Procedure for approving related party transactions

Apart from cases which, by law, require approval by the General Meeting, related party transactions are approved by the Board subject to a report by the Audit and Compliance Committee.

Article 24 of the Regulations of the Board of Directors establishes the power of the Audit and Compliance Committee to report to the Board prior to the adoption of any decisions on related party transactions submitted for its authorisation and to supervise and report to the Board on intragroup and related party transactions of the Company or subsidiaries of the Group.

With regard to related party transactions, Article 37.3 of the Regulations of the Board expressly establishes that other than in the cases in which this power is reserved by law to the General Meeting, any transactions made by the Company or Group companies with Directors, significant shareholders, other related parties or shareholders represented on the Board must be authorised by the Board. That authorisation is not necessary when the transactions meet all of the following three conditions: (i) they are made under contracts with standard terms and conditions applied "en masse" to numerous clients; (ii) they are made at prices or rates established generally by the supplier of the goods or provider of the services in question. (iii) the amount thereof does not exceed 1% of the Company's annual revenue.

General, prior authorisation by the Board for a line of transactions and their conditions, subject to a report by the Audit and Compliance Committee, will be sufficient for bilateral or recurring transactions made in the normal course of the company's business. Finally, in cases where urgent action is necessary, related party transactions may be authorised by the Executive Committee, subject to subsequent ratification by the Board.

Finally, the company makes intragroup transactions on arm's length terms, documenting them according to the requirements of the laws (essentially tax laws) in place in each jurisdiction. This is one of the practices required by the Risk Control and Management Policy established in the Ebro Group.

D.2 List any transactions for a significant amount or object between the company and/or companies in its group and significant shareholders of the company:

Name of significant shareholder	Name of company or group company	Relationship	Type of transaction	Amount (thousand euro)
SOCIEDAD ANÓNIMA DAMM	HERBA RICEMILLS, S.L.U.	Commercial	Sale of goods (finished or otherwise)	5,152

D.3 List any significant transactions for a significant amount or object between the company and/or companies in its group and the directors or executives of the company:

Name of director or executive	Name of related party	Relationship	Type of transaction	Amount (thousand euro)
ANTONIO HERNÁNDEZ CALLEJAS	LUIS HERNÁNDEZ GONZÁLEZ	RELATIVE	Operating leases	41
GRUPO TRADIFÍN, S.L.	CABHER 96, S.L.	CORPORATE	Purchase of goods (finished or otherwise)	113
HERCALIANZ INVESTING GROUP, S.L.	INSTITUTO HISPÁNICO DEL ARROZ, S.A.	CORPORATE	Operating leases	340
HERCALIANZ INVESTING GROUP, S.L.	INSTITUTO HISPÁNICO DEL ARROZ, S.A.	CORPORATE	Purchase of goods (finished or otherwise)	10,640
HERCALIANZ INVESTING GROUP, S.L.	INSTITUTO HISPÁNICO DEL ARROZ, S.A.	CORPORATE	Services rendered	12
HERCALIANZ INVESTING GROUP, S.L.	INSTITUTO HISPÁNICO DEL ARROZ, S.A.	CORPORATE	Services received	115
HERCALIANZ INVESTING GROUP, S.L.	INSTITUTO HISPÁNICO DEL ARROZ, S.A.	CORPORATE	Sales of intangible assets	2
HERCALIANZ INVESTING GROUP, S.L.	INSTITUTO HISPÁNICO DEL ARROZ, S.A.	CORPORATE	Sale of goods (finished or otherwise)	1,826
ANTONIO HERNÁNDEZ CALLEJAS	ANTONIO HERNÁNDEZ GONZÁLEZ	RELATIVE	Dividends and other distributions	18
ANTONIO HERNÁNDEZ CALLEJAS	LUIS HERNÁNDEZ GONZÁLEZ	RELATIVE	Dividends and other distributions	21
ALIMENTOS Y ACEITES, S.A.	-	-	Dividends and other distributions	9,086
FERNANDO CASTELLÓ CLEMENTE	-	-	Dividends and other distributions	1,315
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	-	-	Dividends and other distributions	2
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	LA FUENTE SALADA, S.L.	CORPORATE	Dividends and other distributions	2,622
EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.U.	-	-	Dividends and other distributions	6,864
GRUPO TRADIFÍN, S.L.	-	-	Dividends and other distributions	6,982
HERCALIANZ INVESTING GROUP, S.L.	-	-	Dividends and other distributions	6,982
CORPORACIÓN ECONÓMICA DELTA, S.A.	-	-	Dividends and other distributions	6,728

**D.4 Report any significant transactions with other companies in the group that are not eliminated in the consolidated financial statements and which, by virtue of their object or terms, do not correspond to the normal business of the Company:**

In any case, inform on any inter-company transaction with companies established in countries or territories considered tax havens:

**D.5 State the amount of transactions made with other related parties.**

295 (thousand euros).

**D.6 Describe the mechanisms established to detect, define and resolve possible conflicts of interest between the company and/or its group, and its directors, executives or significant shareholders:**

Apart from the powers of the General Meeting and the Board of Directors on conflicts of interest of the Directors, under Article 24 of the Regulations of the Board of Directors, the Audit and Compliance Committee has the power to settle any conflicts of interest that may arise between the company or the group and its Directors, executives, significant shareholders and listed subsidiaries, if any.

With regard to the directors, Article 36 of the Regulations of the Board provides that Directors may not perform activities for their own or third party account that effectively or potentially compete with the Company or which otherwise puts them in a permanent conflict of interest with the company; and Article 37.1 establishes the obligation of Directors to take such measures as may be necessary to avoid falling into situations in which their interests, for their own or third party account, may conflict with the corporate interests and their duties to the Company.

For this purpose, Article 38 of the Regulations of the Board stipulates that Directors shall inform the Board of any direct or indirect conflict of interest that they or any of their related parties may have with the Company. Furthermore, pursuant to Article 32.4 of the Regulations of the Board, Directors shall abstain from participating in the corresponding debates and voting on resolutions or decisions in which they or any person related to them has a direct or indirect conflict of interest, except in the cases in which they are authorised by law to participate in the discussion and voting.

Rule 13 of the current Internal Code of Market Conduct stipulates that any Relevant Persons (Directors, senior executives and their closely related parties) who are or may be in a conflict of interest shall:

- (i) inform the Compliance Unit of their situation;
- (ii) abstain from participating in or influencing any decisions on the matters affected by the conflict;
- (iii) act with freedom of judgement, loyalty to the Company and its shareholders and independently of their own interests;
- (iv) abstain from requesting or having access to any information or documentation related with the conflict of interest.

It also provides that the Audit and Compliance Committee, assisted by the Compliance Unit, shall make such decisions as may be necessary in respect of any conflicts of interest that may arise.

Without prejudice to their obligation to inform, both the Directors (and in the case of corporate directors, also their representatives on the board) and the significant shareholders of the company are asked each year, when drawing up the Annual Accounts and preparing the Annual Corporate Governance Report, for confirmation of any transactions that they may have made with the Company and/or other companies in the Group, their engagement in activities similar or complementary to those included in the company's objects and that there have been no other conflicts of interest during the year.

#### D.7 Is more than one company of the Group listed in Spain?

YES  NO

Name any subsidiaries listed in Spain:

##### Listed subsidiary

State whether the respective areas of business and possible business relationships between them have been precisely and publicly defined, as well as those of the listed subsidiary with other group companies;

**Define any business relationships between the parent company and the listed subsidiary and between the latter and the other group companies**

Describe the mechanisms in place to settle any possible conflicts of interest between the listed subsidiary and other companies in the group:

**Mechanisms for solving possible conflicts of interest**

## E. RISK CONTROL AND MANAGEMENT SYSTEMS

### E.1 Explain the scope of the company's Risk Management System, including tax risks.

As an integral part of the corporate policies passed by the Board, the Risk Control and Management Policy lays down the basic principles and the general framework for control and management of the business risks, including tax risks, and internal control of financial reporting to which Ebro Foods, S.A. and other companies in its Group are exposed.

Within this general framework, the integral, homogenous Risk Control and Management System is based on the preparation of a business risk map, through which, by pinpointing, assessing and grading of the risk management capacity,



the risks are ranked from greater to lesser impact for the Group and by probability of occurrence. The risk map also identifies methods for mitigating or neutralising the risks detected.

The risk universe is structured in four main groups: compliance, operational, strategic and financial, and they are all subdivided into a large number of categories.

The risk classification process dynamically assesses both the inherent risk and the residual risk after application of the internal controls and action protocols established to mitigate them. These controls include preventive controls, adequate separation of duties, clear levels of authorisation and definition of policies and procedures. These controls can in turn be grouped into manual and automatic, made by data processing applications.

This model is both qualitative and quantitative and can be measured in the Group's results, for which purpose the risk level is considered acceptable or tolerable on a corporate level.

The Risk Control and Management System is dynamic, so the risks to be considered will vary according to the circumstances in which the Group's business is performed.

## **E.2 Name the corporate bodies responsible for preparing and implementing the Risk Management System, including tax risks.**

The System for Control and Management of Risks, including tax risks, and control of financial reporting is based essentially on the following structure:

- The Board of Directors, as ultimately responsible, defines the policy for control and management of risks, including tax risks, and control of financial reporting. Article 17.3 of the Regulations of the Board of Directors provide that the Board shall receive information on the most important aspects of business management and any foreseeable risk situations for the Company and its subsidiaries, together with the actions proposed by the senior management in respect thereof.

- The Audit and Compliance Committee, through the Risks Committee, performs the duties of oversight and monitoring of the financial reporting and risk control systems, reporting regularly to the Board on any significant aspects arising in these areas. It is responsible for supervising and promoting internal control of the Company and the risk management systems and submitting recommendations to the Board on the risk control and management policy and possible mitigation measures in those areas.

- The Risks Committee, based on the policy established by the Board of Directors and under the supervision of and reporting to the Audit Committee, is specifically responsible for coordinating and monitoring the system for control and management of risks, including tax risks, and control of the Group's financial reporting. The Risks Committee also analyses and assesses the risks associated with new investments.

- The Management Committees of the core business units of the Group, on which the Chairman of the Board and the Chief Operating Officer (COO) sit, assess the risks and decide on mitigation measures.

- Risk officers of the core business units of the Group. The Risks Committee nominates individuals in the major subsidiaries to monitor the systems for management and control of risks (including tax risks) and financial reporting and reporting to the Committee.

- Internal Audit Department. Within the internal audits of the different subsidiaries, the Company's Internal Audit Department checks that the testing and control of the financial reporting and risk management systems have been performed adequately in accordance with the indications by the Risks Committee.

## **E.3 Define the main risks, including tax risks, that could have a bearing on achievement of the company's business goals.**

A. Operational risks:

- Food safety. Owing to the nature of the Group's business, aspects regarding food safety are a critical point to which the Group pays the utmost attention, as we are bound by a large number of laws and standards in each of the countries in which the Group's products are put on the market.

- Commodity supply risk. The availability of commodities in the quantity and quality required to meet our commitments to customers and the requirements of our brands is a key factor for our business both nationally (Spanish paddy rice) and internationally (semi-processed rice for the Group subsidiaries).

- Market risk (prices). Unexpected variations in the prices of our commodity supplies may seriously affect the profitability of our commercial transactions, in both the industrial and brand-based segments. The main risk lies in the prices of the

different rice varieties and durum wheat, although it extends also to other materials consumed, such as packaging material and oil derivatives.

- Customer concentration risk. The concentration of customers, which can occur in both the industrial and brand segments, may lead to less favourable commercial terms for our sales and affect our credit risk.

- Technological risk. In our sector, one of the most important tools for competing with our rivals is based on constant technological innovation and searching for ways to adapt to consumers' desires. Consequently, "technological lag" is considered a possible risk.

#### B. Risks related with the environment and strategy:

- Environmental risk. Respect for the environment is another critical point for the Group, considering our industrial activity, with a large number of plants distributed internationally. We aim to adopt a set of good practices, complying scrupulously with the law.

- Climate risk. The effects of droughts, flooding and other weather perils in the countries where we source our supplies can cause problems of availability and unstable commodity prices, in both rice and durum wheat.

- Competition risk. In general, the pressure from white label brands is the main threat for maintaining the market shares of the Group's brands.

- Reputational risk. This is the risk associated with changes of opinion resulting in a negative perception of the Group, its brands or products by customers, shareholders, suppliers, market analysts, employees, institutions, etc., as they may adversely affect the Group's ability to maintain its commercial and financial relations or its interaction with social partners.

- Changes in lifestyle. The proliferation of low carbohydrate diets or other food habits could alter consumers' perception of our products.

- Country or market risk. Owing to the international nature of the Group's activities, political and economic circumstances in the different countries in which we operate and other market variables, such as exchange rates, interest rates, costs of production, etc. may affect our business.

- Natural disasters, fires. As an industrial group, a significant part of the assets on the Group's balance sheet corresponds to its factories, so any natural incidents (earthquakes, fires, etc.) that may affect the integrity of the Group's plants are a business risk.

#### C. Compliance risks:

- Sectoral regulatory risk. The food industry is a sector subject to numerous regulations affecting export and import quotas, customs duties, intervention prices, etc., subject to the directives laid down in the Common Agricultural Policy (CAP). The Group's activity may also be affected by changes in legislation in the countries in which it sources raw materials or sells its products.

- General regulatory risk. These include risks of compliance with civil, commercial, criminal and good governance provisions. In the area of criminal risks, the Group has a Crime Prevention Model, monitored and controlled by the Compliance Unit. At the date of this report, the Compliance Unit is working on the preparation of a criminal risks training plan for employees.

- Tax risks. Any changes in the tax laws or the interpretation or application thereof by the competent authorities in the countries in which the Group operates could affect its earnings.

#### D. Financial risks:

This Group includes foreign exchange, interest rate, liquidity and credit risks. The foreign exchange risk is particularly significant because the functional currency of the Group is the euro, but a considerable part of its commodity supply transactions are in US dollars and a very large part of the Group's investments are also in that currency.

### E.4 State whether the company has a risk tolerance level, including one for tax risks.

Risks are measured by both inherent and residual risk.

A scorecard is made each year of the principal ten risks to which the Group may be exposed (the TOP TEN), which are rated and measured as far as possible. If the economic consequences of a risk could cause a loss (or a loss of profit) of more than 5% of the consolidated EBITDA budgeted, or over 20% of the individual EBITDA of a business, it is considered a threat requiring corporate action.

In general, the heads of the different business units (the Management Committee of each unit) define the risks affecting their respective businesses, assess the possible economic impact of those risks and, according to the specific circumstances prevailing, establish whatever mitigation measures they deem fit. Without prejudice to the supervision by the Risks Committee and Audit Committee, the Management Committee of each unit implements and monitors the mitigation measures taken and assesses the results thereof.

This notwithstanding, when a threat is identified that requires action on a corporate level (as mentioned in the first paragraph above), the persons responsible for risk control and management in the corresponding unit inform the Risks Committee of the situation, proposing such mitigation measures as they may consider adequate. The Risks Committee assesses the situation and the sufficiency and suitability of the proposed mitigation measures, supplementing them with additional measures should it deem fit.

## E.5 What risks, including tax risks, have occurred during the year?

The following risks occurred within the Ebro Group during 2017, further details of which are provided in explanatory Note eleven in Section H of this Report:

- Commodity price and availability risk
- Country risk
- Risk of natural catastrophes and accidents
- Competition risk
- Regulatory and reputational risk
- Exchange rate risk

## E.6 Explain the response and supervision plans for the main risks, including tax risks, to which the company is exposed.

The management committee in each subsidiary is responsible for monitoring the subsidiary's risk supervision system. Management committees usually meet monthly to analyse any risks that may have materialised and follow up the contingency plans and actions taken to mitigate them. Control and monitoring of the economic variables in each subsidiary against the corresponding budget also ensures the immediate detection of unforeseen risk situations. The subsidiaries with greatest weight within the Group, such as the North American subsidiaries, have "Crisis Management Plans" (CMP), which specify the main risks to which the company is exposed, the protocols for responding to them and the company officers responsible for implementation.

This notwithstanding, when a threat is identified that requires action on a corporate level (see section E.4), the persons responsible for risk control and management in the corresponding unit inform the Risks Committee of the situation, proposing such mitigation measures as may be considered adequate. The Risks Committee assesses the situation and the sufficiency and suitability of the proposed mitigation measures, supplementing them with additional measures should it deem fit.

The measures to control, reduce and, as the case may be, mitigate the risks are established according to the following basic criteria:

- They shall seek to neutralise the risk detected, maintaining coherence between the importance of the risk and the cost and means required to neutralise it.
- If neutralisation is not feasible, measures shall be designed to reduce the potential economic consequences, if possible to within tolerance levels.
- The management and control shall, as far as possible, forestall rather than remedy.
- The control mechanisms shall adequately separate management and oversight.
- The different people responsible for risk management shall coordinate their actions to be efficient, seeking the utmost integration between control systems.
- Maximum transparency shall be ensured in the identification and assessment of risks, specification and implementation of mitigation measures and assessment of the results of those measures.

- Compliance must be guaranteed with the internal reporting requirements to the bodies responsible for supervision and control.

## **F FINANCIAL REPORTING INTERNAL RISK CONTROL AND MANAGEMENT SYSTEM (FRICS)**

Describe the mechanisms comprising the financial reporting internal control and risk management systems (FRICS) of your company

### **F.1 Control environment**

Report on at least the following, describing their principal features:

#### **F.1.1 What bodies and/or duties are responsible for: (i) the existence and maintenance of an adequate and effective FRICS; (ii) its implementation; and (iii) its oversight?**

As established in its Regulations, the Board of Directors is ultimately responsible for the existence, maintenance and oversight of an adequate, effective financial reporting internal control system (FRICS).

The Audit and Compliance Committee is responsible for: (i) supervising and promoting the procedures and systems used to prepare and control the company's financial reporting; (ii) checking any public financial reporting; and (iii) ensuring implementation of and compliance with the internal regulations and codes applicable to the risk control and management systems in relation to the financial reporting process.

The Management Committee is responsible for the design, implementation and functioning of the FRICS through the Group Finance Department and the Finance Departments of the different business units. The different general managements are responsible for effective implementation of these systems within their respective areas of activity. There are also officers responsible for the different processes documented within the FRICS, who must ensure that those processes are kept up to date, informing the Risks Committee, through the finance department and general management of the corresponding business unit, of any modifications or adaptations required.

The Risks Committee, reporting to the Audit and Compliance Committee, is specifically responsible for coordinating and monitoring the system for control and management of risks, including tax risks, and controlling the Group's financial reporting.

#### **F.1.2 State whether the following elements exist, especially in respect of the financial reporting process:**

- Departments and/or mechanisms responsible for: (i) designing and reviewing the organisational structure; (ii) clearly defining the lines of responsibility and authority, with an adequate distribution of tasks and duties; and (iii) ensuring that there are sufficient procedures for adequately informing the company.

As established in its Regulations, the Board of Directors is responsible for defining the general strategy and guidelines for management of the Company and its Group and encouraging and supervising the actions taken by the senior officers, establishing an organisational structure that will guarantee the utmost efficiency of the senior management and the management team in general.

According to the Regulations of the Board of Directors, the Nomination and Remuneration Committee is responsible for checking the criteria followed regarding the composition and structure of the Board and for selecting candidates for the Board. It also nominates the Chairman, CEO or managing directors and Secretary of the Board and proposes the assignment of Directors to the different Board Committees, the members of the Management Committee and any other advisory committees that the Board may create.

In turn, under the policies approved by the Board, the Nomination and Remuneration Committee supervises the Senior Management of the Group, both in appointments and removals and in assessing the senior executive remuneration and incentives policy.

Within each group company, the organisational structure of the units participating in the preparation of financial reporting depends on several factors, such as the volume of operations or type of business, but in all cases it corresponds to the need to cover the main duties of recording, preparing, checking and reporting the operations performed and the economic and financial position of the company. The

executive directors and management of Ebro Foods participate actively in the management committees of the Group's subsidiaries, thereby guaranteeing direct communication through the lines of responsibility and authority.

The senior management and the human resources departments of the Group and each of the subsidiaries are responsible for designing the organisational structure according to local needs, the most important subsidiaries having a formal definition through organisation charts, which include a description of the duties and responsibilities of the main areas participating in internal control of financial reporting.

The different job descriptions of positions and responsibilities are maintained by the Human Resources department of each subsidiary and the managements of all the subsidiaries, especially the financial managements, are informed of any new member of a subsidiary.

- Code of conduct, body responsible for its approval, degree of publicity and instruction, principles and values included (stating whether there is any specific mention of the recording of transactions and preparation of financial reporting), body responsible for analysing default and proposing corrective measures and penalties.

The Code of Conduct of the Ebro Group, an update of the earlier Codes of Ethics and Conduct drawn up by the Ebro Foods Group in 2003, 2008 and 2012, was approved by the board on 25 November 2015 and all levels of the organisation were notified.

The Code of Conduct provides guidance on how to act in the Group's internal and external relationships, strengthening the values that distinguish us and establishing a basic reference to be followed by the Group.

The Code aims to:

- Be a formal, institutional reference for personal and professional conduct.
- Guarantee the responsible, ethical behaviour of all the Group's professionals in their work.
- Reduce the element of subjectivity in personal interpretations of moral and ethical principles.
- Create a standardisation tool to guarantee progressive implementation throughout the Group of the ten principles of the UN Global Compact.
- Grow responsibly and committed to all our stakeholders.

As established in the Code of Conduct, the Group assumes a principle of conduct based on transparent reporting, consisting of an undertaking to report reliable financial, accounting or other information to the markets. Accordingly, the company's internal and external financial reporting will give a true and fair view of its real economic, financial and equity situation according to generally accepted accounting principles.

Employees formally sign the Code of Conduct when they join the workforce of most Group companies and all new Group employees during the year were informed and given a copy of the Code.

The Code of Conduct is published in the Intranet, where it can be consulted by any employee, and on the Group's website.

The Audit and Compliance Committee is responsible for monitoring and controlling application of the Code. The Compliance Unit, which has sufficient initiative, autonomy and resources, is responsible, among other duties, for assisting the Audit and Compliance Committee in the supervision of compliance, publication and interpretation of the Code of Conduct.

The Audit and Compliance Committee has an e-mail address to which any Group employee may send queries and suggestions regarding the interpretation of the Code of Conduct.

The Audit and Compliance Committee reports regularly to the Group's Board of Directors on any queries raised in respect of the interpretation and application of the Code of Conduct, how they have been solved and, where appropriate, the interpretation criteria followed.

The Code of Conduct provides that any violation or breach of the Code that is classified as a labour offence shall be penalised according to the labour laws, without prejudice to any other liability that the infringer may incur and the remedial measures that may be established by the different Group companies in pursuance of prevailing laws. On a Group level, the Audit and Compliance Committee, assisted by the Compliance Unit, shall receive reports of any violation of the Code of Conduct and act accordingly.

- Whistleblowing channel, through which the audit committee can be informed of any financial or accounting irregularities, any breaches of the code of conduct and irregular activities within the organisation, indicating whether this channel is confidential.

As established in the Regulations of the Board of Directors, the Audit and Compliance Committee is formally responsible for implementing a confidential whistleblowing channel accessible to all Group employees and defining a protocol for prioritising, processing, investigating and settling reports according to their importance and nature, especially any concerning possible financial or accounting misrepresentations.

For this purpose, the Ebro Group has established a whistleblowing or reporting channel, through its Code of Conduct, through which any irregular conduct in financial, accounting or other areas and any breach of the code of conduct can be reported confidentially.

Through that whistleblowing channel, therefore, any employees may report whatever conduct they may consider necessary and contact the chairman of the Audit and Compliance Committee directly to inform on potential breaches. Access to that e-mail account, technologically protected to prevent any unauthorised access, is limited exclusively to the Chairman of the Audit and Compliance Committee who, as an independent Director, has no relationship with the management structure of the Group.

The Audit and Compliance Committee guarantees the confidentiality of the reports handled, according to a confidentiality commitment signed by all those involved in handling the reports and other precautions included in the "Report Handling Protocol". That protocol, approved by the Audit and Compliance Committee in 2012, establishes the procedure to be followed on receiving reports, regarding their processing, prioritising, solving and notification.

- Training programmes and regular updates for employees involved in the preparation and checking of financial information and evaluation by the FRICS, covering at least accounting and auditing standards, internal control and risk management.

The Ebro Group has a policy of making sure it has personnel with sufficient training and experience to perform the duties and responsibilities assigned to them. The Ebro employees involved in the preparation and checking of the financial information and FRICS evaluation participate in training and refresher courses regarding the laws and standards in place from time to time and good practices to guarantee the reliability of the financial information generated.

The Ebro Group also encourages and provides means and resources for its employees to keep their accounting knowledge up to date through the attendance of seminars, on-line information and other means and regular meetings are held with the external auditors to assess in advance the standards in place or those about to enter into force.

During the year the Ebro Group has focused its training for personnel involved in the preparation and checking of financial information and FRICS evaluation on the following aspects:

- Accounting updates
- Management and control of costs for business decision-making
- Training in the tax laws in different countries
- Financial Reporting Internal Control System Manual

In addition, the external auditors of the Company and its Group regularly attend the meetings of the Audit and Compliance Committee to give training on the principal novelties in accounting and auditing, especially those that have or may have a greater effect on the Group's accounts.

## F.2 Measurement of risks in financial reporting

Report at least on:

### F.2.1 What are the main features of the risk identification process, including risks of error or fraud, in respect of:

- Whether the process exists and is documented.

Within the risk control and management policy approved by the Board, the financial reporting internal control system is supervised by the Audit and Compliance Committee, assisted by the Risks Committee and the Group Finance Department.

The potential risk events that could affect the organisation are identified and assessed through the FRICS, pinpointing and assessing the risks corresponding to each line of business. Through this risk control and management system, the Ebro Group has drawn up a consolidated risk map by compiling and combining the risk maps of its major subsidiaries.

This process is coordinated by the Risks Committee, which manages and establishes the permitted tolerance to the risk and coordinates actions to align the measures addressing risks with the Group's global risk policy so that the exposure to risk assumed by the Ebro Group overall is known at all times.

Based on the results obtained, systems are devised for addressing risks and internal control, to keep the likelihood and impact of those risks on financial reporting within the tolerance levels, thereby providing reasonable certainty regarding achievement of the strategic business goals.

- Whether the process covers all the financial reporting objectives (existence and occurrence; integrity; measurement; presentation, breakdown and comparison; and rights and obligations); whether it is updated and how often.

The Ebro Group has established a continuous improvement process to minimise the risks related with financial reporting, improving the design and effectiveness of existing controls.

For this purpose, it has a process identifying the risks affecting the reliability of financial reporting, based on and beginning with a definition of the scope, according to quantitative criteria of materiality in respect of the consolidated amounts and other qualitative criteria (error, fraud, uncommon transactions, etc.). Companies in the major business units or divisions that meet any of the afore-mentioned criteria and the material accounting items of each one are defined according to those criteria. Once the material items have been defined on a company level, the processes and sub-processes they affect are established, according to a relationship matrix.

For each of the sub-processes included within the scope, the inherent risks are identified and the checks made by the responsible persons to mitigate those risks are defined, setting this information down in a Risks-Controls Matrix. Those risks take account of all the financial reporting objectives (existence and occurrence; integrity; measurement; presentation, breakdown and comparison; and rights and obligations).

The financial reporting risks are identified in the Ebro Group's Risks-Controls Matrix and updated to take account of any changes in the scope of consolidation of the Group or development of its business and their reflection in the financial statements, making a comparative analysis every year of the variations in material processes and sub-processes to establish any risks that have not been previously identified.

- The existence of a process for defining the scope of consolidation, taking into account, among other aspects, the possible existence of complex corporate structures, base companies or special purpose vehicles.

The Ebro Group has a process based on internal regulations that guarantees the correct identification of the scope of consolidation through an adequate separation of duties in the requesting, authorising, reporting and recording of any operation entailing the incorporation, merger, division, acquisition or sale of companies and any other corporate operation, directly involving the legal department and the board.

This process considers the possible existence of complex corporate structures, base companies or special purpose vehicles, among other means by establishing an adequate structure to separate the duties of requesting, authorising and reporting for any corporate operation within the Group. No transactions or complex corporate structures that might entail off-balance sheet transactions which should be recorded within the reporting period were identified this year.

- Whether the process takes into account the effects of other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they affect the financial statements.

The Risk Control and Management System of the Ebro Group is designed to identify potential risk events that might affect the organisation. At present there are four types of risks: Operating, Compliance, Strategic and Financial risks, and the conclusions are taken into account insofar as the risks may affect financial reporting. For this purpose, the Risks Committee acts as a unit of coordination and interrelation of the effect of the risks detected on the different areas (management, business, financial reporting, legal, reputational etc. risks).

- Which governing body of the company supervises the process.

While the Board has the power, which it may not delegate, to determine the policy for control and management of risks, including tax risks, and supervision of the FRICS, the Audit and Compliance Committee is responsible for supervising and promoting the procedures and systems used to prepare and control the Company's financial reporting, and controlling the implementation of and compliance with the risk control and management systems, both in general and in respect of the financial reporting process.

### F.3 Control activities

Inform whether the company has at least the following, describing their main features:

**F.3.1** Procedures for checking and authorising financial information to be published on the stock markets and description of the FRICS, indicating who is responsible for these tasks and documentation describing the flows of activities and controls (including those checking for the risk of fraud) in the different types of transactions that may have a material effect on the financial statements, including the procedure for closing of accounts and the specific review of judgements, estimates, valuations and significant projections.

The priorities established within the Ebro Group include the quality and reliability of the financial information, both internal information for decision-making and external information published on the markets. The information to be provided by the different units is requested by the Group financial department, paying special attention to the processes of closing the accounts, consolidation, measurement of intangibles and areas subject to judgement and estimates.

The Ebro Group has procedures for checking and authorising the financial information and description of the FRICS, responsibility for which corresponds to the Financial Department, the Risks Committee, the Audit and Compliance Committee and the Board of Directors.

The Audit and Compliance Committee checks and analyses the financial statements and any other important financial information, as well as the principal judgements, estimates and projections included and discusses them with the corporate financial department and the internal and external auditors to confirm that the information is complete and the principles applied are consistent with those of the previous full-year accounts.

The procedure for checking and authorising the financial information corresponds to the Group financial department, based on the information checked and validated by the different units. The Audit and Compliance Committee supervises this information to be published on the market and it is approved by the Board of Directors.

The Group has implemented an improvement process to increase the documentation and make the generation of financial information and its subsequent supervision more effective and efficient.

The significant processes involved in the generation of the Group financial reporting are documented based on the COSO internal control model. The main processes documented are:

- Closing of Financial Statements and Reporting
- Consolidation
- Sales and Receivables
- Purchases and Payables
- Fixed Assets
- Inventories
- Payroll

The documentation outline is extended progressively, according to the materiality and the general criteria established in the Group's financial reporting internal control system.

The persons responsible for each of the documented processes in each subsidiary have been identified. They are responsible for keeping those processes up to date on an annual basis, reporting any modifications or adaptations to the Risks Committee through the Group's financial department.

Process documentation includes details of the flows and transactions and the financial reporting objectives and controls established to ensure they are met. It also contemplates the risks of error and/or fraud that might affect the financial reporting objectives. The documentation of flows of activities and controls that may have a material effect on the financial statements, including the accounts closing procedure, includes the preparation of narratives on the processes, flow charts and risk and control matrices. The controls identified are both preventive and detective, manual or automatic, describing also their frequency and associated information systems.

**F.3.2** Internal control procedures and policies for the IT systems (including access security, track changes, operation, operating continuity and separation of duties) used for the significant processes of the company in the preparation and publication of financial information.

The Group has rules of action for managing financial information security. Those rules are applicable to the systems used to generate financial information and the IT Department is responsible for defining and proposing the security policies.

Within its policies and infrastructure management the Ebro Group has procedures to secure each of the following points:



i) Both physical and logical access are controlled to ensure that only authorised internal and external personnel can access the Ebro centres and systems. Ebro has several Data Centres, the main one in Spain where the company's critical systems are housed. The major subsidiaries also have local data centres. They all have their own infrastructure to guarantee adequate control of access to the installations. In small subsidiaries, the general rule is to have external service providers to provide that security. When external service providers are used, the Ebro Group makes internal audits of the information systems and their architecture, including the security aspect.

Logical access control is secured with efficient management of access to our systems, whether internal or external, and through a user management coordinated with the human resources department and the company's group of managers. Ebro has user access control systems and workflow tools to guarantee inter-departmental integration and efficient updating of user status, regularly identifying those who no longer access the systems. Ebro Foods has begun a global Duties Separation project, within its corporate risk control policy.

External access is guaranteed through specific users and controlled management. The necessary elements have also been provided on a network level to ensure that only authorised users and processes have access from outside.

ii) The larger subsidiaries mainly use the ERP system called SAP. In all those cases, Ebro has procedures underpinned by systems in which production changes are systematically filtered and assessed, their life cycle managed, and disseminated after acceptance by specific users and impact analysis in the systems currently used in production.

iii) The separation of duties is underpinned by the use of roles by groups of users, which allow access only to the information and transactions previously approved by the organisation. The modification or creation of new roles is backed by the same procedure that guarantees management of the user life cycle and is applicable to the major companies of the Ebro Group. Special attention is paid to separation in IT support processes to make sure that the tasks of development, sending to production and administration of the system are duly separated.

iv) Ebro has internal tools which, combined with the user support departments and systems (Help Desks), guarantee the management and traceability of incidents in the IT systems. Programme changes are managed within that system, which is based on ITIL best practices and management.

The critical information systems are always housed in our data centres and there are individuals assigned to each one who are responsible for proactive monitoring of the automatic processes and proactive assessment of the yield and functioning of the systems.

Ebro has global contracts with security control tool providers, which guarantee the installation of such tools in all the computer and data processing equipment used in the company.

v) Ebro has tools to guarantee the continuity of business support by its IT systems in the event of a fatal error or system crash. There are backup systems and policies in its data centres that guarantee access to information and systems in case of a crash. The use of tape or disk backups and replicating the information in several computers with subsequent triangular distribution are habitual procedures for making incremental or complete backup copies. The current systems allow recovery of the information up to the specific time of the fatal error or system crash.

### F.3.3 Internal control procedures and policies to oversee the management of outsourced activities and any aspects of valuation, calculation or measurement commissioned to independent experts, which may have a material impact on the financial statements

In general, the Ebro Group manages all activities that may have a material impact on the reliability of the financial statements directly using internal resources to avoid outsourcing. There are very few outsourced activities and the procedures and controls of those activities are regulated in the contracts signed with the service providers in question.

The valuation, calculation or measurement activities commissioned by the Ebro Group to independent experts are mainly concerned with the appraisal of properties, actuarial studies of commitments to employees and impairment testing of intangibles.

Only service providers of internationally recognised standing are used for these valuation reports, making sure that they are not affected by any circumstance or event that could compromise their independence.

The reports obtained from these firms are submitted to internal review to check that the most significant assumptions and hypotheses used are correct and that they comply with the International Valuation Standards (IVS) and International Financial Reporting Standards (IFRS). Furthermore, the valuation processes and the hypotheses and assumptions used by independent experts are reported to and considered by the external auditors of the Company and its Group.

## F.4 Information and communication

Inform whether the company has at least the following, describing their main features:

- F.4.1 A specific department responsible for defining the accounting policies and keeping them up to date (accounting policy department or division) and solving queries or conflicts deriving from their interpretation, maintaining fluent communication with those responsible for operations in the organisation, as well as an updated accounting policy manual distributed among the units through which the company operates.

The Ebro Group has adequate procedures and mechanisms to put the applicable criteria across to the employees involved in the preparation of financial information and the IT systems used in that preparation. This is done through the Management Control Unit and the Corporate Financial Department, whose powers include the following, among others:

- Define, administer, update and report on the Group's accounting policies, in compliance with the applicable accounting standards and rules of consolidation for the preparation and presentation of financial information to be disclosed.
- Prepare, update and report on the Accounting Policy Manual to be applied by all financial units in the Group. This manual is updated annually.
- Settle any queries or conflicts regarding the interpretation and application of the accounting policies, maintaining fluent communication with those responsible for these operations in the organisation.
- Define and create templates, formats and criteria to be used for preparing and reporting the financial information. All financial information distributed on the markets is prepared by consolidating the reports of the different business units, prepared using mechanisms for data input, preparation and presentation that are homogenous for the entire Group. These mechanisms are designed to enable compliance with the standards applicable to the principal financial statements, including accounting criteria, valuation rules and presentation formats and embrace not only the balance sheet, profit and loss account, statement of changes in equity and statement of cash flows, but also the obtaining of other information that is necessary to prepare the notes to the financial statements.

- F.4.2 Mechanisms for collecting and preparing financial information with homogenous formats, applied and used by all business units in the company or group, valid for the main financial statements and notes, and the information given on the FRICS

The Group's financial information is prepared using a process of aggregating separate financial statements at source for subsequent consolidation according to the applicable accounting and consolidation standards, to obtain the consolidated financial information to be presented monthly to the Board and published periodically on the markets.

The process of aggregation and consolidation of the Group's financial statements is based on homogenous, common format templates that include different tables and reports to be completed. They also have automatic internal controls to check the integrity and reasonability of the data input.

These templates are validated each month by a financial manager in each subsidiary before sending them for checking and consolidation. To complete the automatic checks, those data and the estimation, valuation and calculation principles used to obtain them, as well as the accounts closing procedure, are checked by the financial manager at each level of aggregation and consolidation until the Ebro Group consolidated financial information is obtained, prepared and checked by the corporate financial department.

The Ebro Group has established a reporting system for the Financial Reporting Internal Control System, which is available in the Group for all the subsidiaries included within the scope of the FRICS. Through that reporting, the management of the parent coordinates maintenance of the system in the rest of the subsidiaries annually through the assignment of persons responsible for their maintenance and updating in the event of any significant change to be taken into consideration in the documentation. Finally, if any weaknesses are detected in the financial reporting internal control system, the subsidiaries are notified of the necessary action plans and they are monitored by management of the parent.

## F.5 Supervision of the functioning of the system

Inform on at least the following, describing their main features:

- F.5.1 The FRICS supervisory activities performed by the Audit Committee and whether the company has an internal audit department responsible, among its duties, for assisting the committee in its supervision of the internal control system, including the financial reporting internal control system (FRICS). Inform also on the scope of the FRICS appraisal made during the year and the procedure through which the department or body responsible for the appraisal informs on the outcome, whether the company has an action plan defining any possible corrective measures and whether their impact on the financial information has been considered.

The Board of Directors is ultimately responsible for the existence, maintenance and supervision of an adequate, effective financial reporting internal control system. Among the duties defined in the Regulations of the Board of Directors, the Audit and Compliance Committee assists and supports the board in its supervision of the accounting and financial information, the internal and external audit services and corporate governance.

The Audit and Compliance Committee, assisted by the Risks Committee, must see that the internal audit procedures, the internal control systems in general, including the risk management control system and, in particular, the financial reporting internal control system, are adequate. The Audit and Compliance Committee also ensures that the external auditor and manager of the Internal Audit Department are selected on the basis of objective, professional qualifications, guaranteeing their independence in the performance of their duties; reports to the board on any related party transactions submitted for its consideration; controls any possible conflicts of interest; and, in general, makes sure that all the company's information and reporting, particularly financial, complies with the principle of truth and maximum transparency for shareholders and markets.

The Risks Committee, as the central control system, monitors adequate fulfilment by the risk officers of the respective units of the following duties: (i) monitoring, updating and review of the business risks map and the different financial reporting processes; (ii) compliance with the reporting protocols for business risks and financial information; (iii) assessment of the measures for mitigating and controlling any risks detected, and (iv) assessment of the effectiveness of the systems and controls by testing processes indicated by the Risks Committee, assisted by the heads of the different units and, where necessary, external advisers. The Risks Committee, based on the policy established by the Board and supervised by and reporting to the Audit Committee, is specifically responsible for coordinating and monitoring the risks control and management system, including tax risks, and checking the Group's financial information.

Within the business risks control and FRICS, the Internal Audit Department makes sure that the testing and control of risk management and financial reporting systems have been done properly, within the internal audits carried out on different subsidiaries during the year, according to the Internal Audit Plan.

The Internal Audit Department has submitted its annual working plan to the Audit and Compliance Committee and reported directly to said committee on any incidents detected in the performance of that work, proposing the corresponding action plan defining any necessary corrective measures; and at the end of each year, it has submitted an activity report.

The results of checks made by the Internal Audit Department and any incidents detected by the Risks Committee have been reported to the Audit and Compliance Committee. Moreover, the action plan devised for remedying those incidents has been sent to both the person responsible for remedying them and the Audit and Compliance Committee.

**F.5.2** Inform on whether the company has a discussion procedure whereby the auditor (according to the provisions of the auditing standards), the internal audit department and other experts can inform the senior management and audit committee or company directors of any significant weaknesses detected in internal control during the auditing or checking of the annual accounts or any other processes commissioned to them. Indicate also whether the company has an action plan to remedy or mitigate the weaknesses observed.

The Audit and Compliance Committee has a stable, professional relationship with the external auditors of the principal companies in its group, strictly respecting their independence. That relationship favours communication and discussion of any internal control weaknesses pinpointed during the auditing of annual accounts or any other audit work commissioned to them.

In this regard, the Audit and Compliance Committee receives information from the external auditor at least every six months on the audit plan and outcome of its performance, and checks that the senior management heeds the auditor's recommendations.

In addition, as established in the Regulations of the Board, it is responsible for overseeing the Internal Audit Services, examining the financial reporting process and internal control systems.

During 2017, the External Auditor and Manager of the Internal Audit Department each attended 5 meetings of the Audit and Compliance Committee.

## F.6 Other significant information

N/A

## F.7 External auditor's report

Inform on:

- 7.7.1 Whether the FRICS information sent to the markets was checked by the external auditor, in which case the company should include the corresponding report in an annex. If not, why not.

The report issued by the external auditor is appended hereto.

## G EXTENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of compliance by the company with the recommendations of the Unified Good Governance Code.

If any recommendation is not followed or is only partly followed, include a detailed explanation of the reasons so that shareholders, investors and the market in general have sufficient information to assess the company's actions. General explanations are not acceptable.

1. The Articles of Association of listed companies should not limit the maximum number of votes that may be cast by an individual shareholder or impose other restrictions hampering takeover of the company via the market acquisition of its shares.

Complies  Explanation

2. When both the parent company and a subsidiary are listed, they should both publish a document specifying exactly:

- a) The types of activity they are respectively engaged in and any business dealings between them, and between the listed subsidiary and other group companies;  
b) The mechanisms in place to solve any conflicts of interest.

Complies  Partial compliance  Explanation  Not applicable

3. During the annual general meeting, to supplement the written distribution of the annual corporate governance report, the chairman of the board should inform the shareholders orally, in sufficient detail, of the most important aspects of the company's corporate governance, especially:

- a) Any changes made since the previous annual general meeting.  
b) The specific reasons why the company does not follow any of the recommendations of the Code of Corporate Governance and the alternative rules applied, if any.

Complies  Partial compliance  Explanation

4. The company should define and promote a policy of communication and contacts with shareholder, institutional investors and proxy advisors that fully respects the laws against market abuse and gives similar treatment to shareholders who are in the same position.

And the company should publish that policy on its website, including information on how it has been implemented, naming those responsible for such implementation.

Complies  Partial compliance  Explanation

5. The board should not table a motion at the general meeting for delegating powers to issue shares or convertible securities excluding the preferential subscription right in a sum of more than 20% of the capital at the time of the delegation.

And when the board approves an issue of shares or convertible securities excluding the preferential subscription right, the company should immediately publish on its website the reports on that exclusion required by commercial law.

Complies  Partial compliance  Explanation

6. Listed companies that prepare the following reports, whether mandatory or voluntary, should publish them on their websites sufficiently in advance of the annual general meeting even though that publication is not compulsory:

- a) Report on the independence of the auditor.
- b) Reports on the functioning of the audit committee and the nomination and remuneration committee.
- c) Report by the audit committee on related party transactions.
- d) Report on the corporate social responsibility policy.

Complies  Partial compliance  Explanation

All the sections of this Recommendation are met, except c).

Although the Audit and Compliance Committee checks that all the related party transactions with significant shareholders, Directors and other related parties have been made at market prices and on arm's length terms and issues a favourable report to the Board, after studying this Recommendation the Company does not consider it convenient to publish the contents of that report because it contains sensitive commercial information that is confidential for the Group in respect of its rivals.

7. The company should broadcast general meetings live, through its website.

Complies  Explanation

General Meetings of shareholders of Ebro Foods S.A. are not broadcast live through the corporate website owing to the size and capitalisation of the Company.

Furthermore, considering the little use made of the technical means intended to increase shareholders' participation at general meetings (such as the shareholders' forum or electronic voting and proxies) and the ample quorum at general meetings (77.4538% at the last AGM held on 1 June 2017), the Company considers it unnecessary at present to invest economic resources in the live broadcasting of general meetings.

All information on what happens at the general meeting is subsequently published in Spanish and English on the corporate website, where it is fully available, downloadable and easy to access, with no limitations or restrictions of any nature.

The Company has studied this Recommendation and for the time being does not contemplate live broadcasting of the AGM to be held in 2018, considering that its general meetings comply with the principles of transparency and adequate information recommended by the Code of Good Governance.

8. The audit committee should make sure that the board endeavours to avoid a qualified auditor's report on the accounts laid before the general meeting, and in exceptional circumstances when such qualifications exist, both the chairman of the audit committee and the auditors shall clearly explain to the shareholders their content and scope.

Complies  Partial compliance  Explanation

9. The company should publish permanently on its website the requirements and procedures it will accept as proof of ownership of shares, right to attend the general meeting and exercise or delegation of shareholders' voting right.

And those requirements and procedures should favour the attendance and exercise by shareholders of their rights, not being in any way discriminatory.

Complies  Partial compliance  Explanation

10. If a legitimate shareholder has exercised their right, prior to the general meeting, to supplement the agenda or submit new proposed resolutions, the company should:

- a) Immediately distribute those supplementary items and new proposed resolutions.
- b) Publish the model attendance card or proxy form or postal/electronic voting form with the necessary modifications to enable voting on the new items on the agenda and alternative proposed resolutions on the same terms as those proposed by the board of directors.
- c) Put all these items or alternative proposals to the vote and apply the same voting rules as those applicable to the proposals by the board, including in particular the presumptions or deductions regarding votes.
- d) After the general meeting, report the details of the voting on those supplementary items or alternative proposals.

Complies  Partial compliance  Explanation  Not applicable

11. If the company plans to pay attendance fees for general meetings, it should establish in advance a general policy on those fees and that policy should be stable.

Complies  Partial compliance  Explanation  Not applicable

12. The board should perform its duties with unity of purpose and independence of judgement, give the same treatment to all shareholders in the same position and be guided by the company's interests, namely the achievement of a profitable business sustainable in the long term, promote its continuity and maximise the economic value of the company.

And in its search for the company's interests, apart from respecting the laws and regulations and acting in good faith, ethically and with respect for generally accepted use and good practice, endeavour to reconcile the corporate interests with the legitimate interests of its employees, suppliers, customers and other stakeholders that may be affected, as the case may be, and the impact of the company's activities on the surrounding community and environment.

Complies  Partial compliance  Explanation

13. The Board should have the necessary size to operate effectively, with participation. The recommended size is, therefore, between five and fifteen members.

Complies  Explanation

14. The board should approve a policy for selecting directors which:

- a) Is specific and verifiable.
- b) Ensures that nominations or proposals for re-election are based on a prior analysis of the board's needs.
- c) Favours the diversity of expertise, experience and gender.

The results of the prior analysis of the board's needs should be set out in the report by the nomination committee published when calling the general meeting at which the ratification, appointment or re-election of each director is proposed.

And the policy for selecting directors should promote the target that the number of female directors on the board should be equivalent to at least 30% of the total members of the board by 2020.

The nomination committee shall check compliance with the policy for selecting directors annually and inform on that check in the annual corporate governance report.

Complies  Partial compliance  Explanation

15. The proprietary and independent directors represent an ample majority of the board and the number of executive directors is the minimum necessary, taking account of the complexity of the corporate group and the percentage stake held by the executive directors in the company's capital.

Complies  Partial compliance  Explanation

16. The ratio of proprietary directors to total non-executive directors should not be greater than the ratio of capital represented by those directors to the rest of the capital.

This may be eased:

- a) In companies with a high capitalisation, in which shareholdings legally considered significant are scarce.
- b) In companies with a plurality of unrelated shareholders represented on the board.

Complies  Explanation

17. The number of independent directors should represent at least one-half of the total directors.

This notwithstanding, if the company does not have a large capitalisation or if it has a high level of capitalisation but has one shareholder, or several acting in concert, that controls more than 30% of the capital, the number of independent directors should represent at least one-third of the total directors.

Complies  Explanation

18. Companies should publish on their websites and keep up to date the following information on their directors:

- a) Professional and biographic profile.
- b) Other directorships held, in listed or unlisted companies, and other remunerated activities performed, of whatsoever nature.
- c) Indication of the category of director, indicating for proprietary directors the shareholder they represent or with which they are related.
- d) Date of first appointment as director of the company and subsequent re-elections.
- e) Shares and stock options held in the company.

Complies  Partial compliance  Explanation

Although there is no specific section on the corporate website containing the information contemplated in paragraph b), the information on the Directors of Ebro Foods, S.A., including directorships held in listed companies and positions and activities performed, remunerated or otherwise, in companies engaged in similar or identical activities as Ebro Foods, is set out in the annual accounts and corporate governance report each year published in the corresponding sections of the website.

After studying this Recommendation, the Company considers that it informs on the directorships held in listed companies and positions and activities performed, remunerated or otherwise, in companies engaged in similar or identical activities as Ebro Foods, S.A. in sufficient detail to comply with the transparency in reporting sought by the Code of Good Governance.

19. Once checked by the nomination committee, the annual corporate governance report should include an explanation of the reasons why proprietary directors have been appointed at the request of shareholders with an interest of less than 3% in the capital, as well as the reasons, if appropriate, for not meeting formal requests for presence on the board from shareholders with an interest equal or greater than others at whose request proprietary directors have been appointed.

Complies  Partial compliance  Explanation  Not applicable

20. Proprietary directors should resign when the shareholder they represent disposes of its entire shareholding in the company. They should also resign in the corresponding number when the shareholder disposes of part of its shares to an extent requiring a reduction in the number of proprietary directors.

Complies  Partial compliance  Explanation  Not applicable

21. The Board should not propose the removal of any independent director before the end of the period for which they were appointed, unless there are just grounds for doing so, as appreciated by the Board subject to a report by the Nomination Committee. In particular, just grounds are deemed to exist when the director takes up new positions or contracts new obligations preventing them from dedicating the necessary time to performance of their duties on the board, or if they breach their duties or fall into any of the circumstances by virtue of which they would no longer be considered independent, according to the applicable legal provisions.

The removal of independent directors may also be proposed following takeover bids, mergers or other similar corporate operations entailing a change in the ownership structure of the company, when changes in the structure of the board are required by the principle of proportionality contemplated in Recommendation 16.

Complies  Explanation

22. Companies should establish rules obliging directors to report and, if necessary, resign in any cases that may jeopardise the company's credit and reputation. In particular, directors should be obliged to inform the Board of any criminal proceedings brought against them and the subsequent development of the proceedings.

If a director is prosecuted or tried for any of the offences contemplated in company law, the Board should study the case as soon as possible and, in view of the specific circumstances, decide whether or not the director should remain in office. A reasoned account should be included in the Annual Corporate Governance Report.

Complies  Partial compliance  Explanation

23. All the directors should clearly express their opposition whenever they consider that any proposed decision submitted to the Board may go against corporate interests. The independent and other directors not affected by the potential conflict of interest should also do so when the decisions may be detrimental to shareholders not represented on the Board.

And when the Board adopts significant or reiterated decisions about which a director has expressed serious reservations, the latter should reach the appropriate conclusions and, if they opt to resign, explain the reasons in the letter contemplated in the following recommendation.

This recommendation also affects the Secretary of the Board, even if he or she is not a director.

Complies  Partial compliance  Explanation  Not applicable

24. If a director resigns or retires from office on whatsoever grounds before the end of his or her term of office, they should explain the reasons in a letter sent to all the Board members. Regardless of whether the retirement is announced as a regulatory disclosure, the reason shall be indicated in the Annual Corporate Governance Report.

Complies  Partial compliance  Explanation  Not applicable

The company partially complies with this recommendation because Dr August Oetker explained the personal and professional reasons for stepping down as director in writing to the chairman and orally to all the directors after the AGM held on 1 June 2017.

Since all the directors were duly informed of the reasons for Dr August Oetker's resignation, the company considers that it has complied with the principles of the Code of Good Governance applicable in respect of the retirement of directors and that the form used by Dr Oetker to explain his reasons for resigning (written or oral) is not significant in this case.

25. The nomination committee should make sure that non-executive directors have sufficiently availability to perform their duties correctly.

And the regulations of the board should stipulate the maximum number of directorships that may be held by its directors.

Complies  Partial compliance  Explanation

Although the Regulations of the Board of Directors do not stipulate a maximum number of directorships that may be held by the Directors of Ebro Foods, S.A., it does impose on the Directors the obligation to dedicate to the Company such attention and time as may be necessary to guarantee the effective and adequate fulfilment of each and all of the duties corresponding to their position. Consequently, the maximum number of other directorships they may hold will be such as to ensure that they are able at all times to meet each and all of their obligations to the company (Article 32 of the Regulations of the Board, "General duties of Directors").

After studying this Recommendation, the Company considers that the principles pursued by the Code of Good Governance in this respect are met with the obligation regarding dedication imposed in Article 32 of the Regulations of the Board.

26. The Board should meet as often as may be necessary to secure efficient performance of its duties, following the calendar and business established at the beginning of the year, although any director may individually propose other items not initially contemplated to be included on the agenda.

Complies  Partial compliance  Explanation

27. Non-attendance of Board meetings should be limited to inevitable cases and stated in the Annual Corporate Governance Report. If a director is forced to miss a Board meeting, a proxy should be granted with the appropriate instructions.

Complies  Partial compliance  Explanation

28. When the Directors or the Secretary express concern over a proposal, or, in the case of Directors, the company's performance, and those concerns are not settled by the board, they should be put on record, at the request of those expressing them.

Complies  Partial compliance  Explanation  Not applicable

29. The company should establish adequate channels for directors to obtain any counselling they may need to perform their duties, including, should circumstances so require, external counselling at the company's expense.

Complies  Partial compliance  Explanation



30. Regardless of the expertise required of directors to perform their duties, companies should also offer their directors refresher courses in the appropriate circumstances.

Complies  Explanation  Not applicable

31. The agenda for meetings should clearly indicate the items on which the board is called upon to adopt a decision or resolution, so that the directors can study or obtain in advance the information they may need.

In exceptional cases, for reasons of urgency, the chairman may submit decisions or resolutions not included on the agenda for approval by the board, the prior, express consent of most of the directors present will be necessary, putting this on record in the minutes.

Complies  Partial compliance  Explanation

32. Directors shall be regularly informed on any changes in the ownership of the company and the opinion held by the significant shareholders, investors and ratings agencies of the company and its group.

Complies  Partial compliance  Explanation

33. Being responsible for the efficient functioning of the board of directors, apart from performing the duties assigned by law and in the articles of association, the chairman should prepare and submit to the board a schedule of dates and business to be transacted; organise and coordinate the periodical assessment of the board and chief executive, if any, of the company; be responsible for managing the board and for its efficient operation; make sure sufficient time is allotted to the discussion of strategic issues; and resolve and review the refresher programmes for each director whenever circumstances so require.

Complies  Partial compliance  Explanation

34. When there is a lead independent director, the articles of association or regulations of the board should assign the following powers, apart from those corresponding to them by law: preside over board meetings in the absence of the chairman and vice-chairmen, if any; echo the concerns of non-executive directors; hold contacts with investors and shareholders to find out their points of view and form an opinion on their concerns, particularly regarding the corporate governance of the company; and coordinate the plan for succession of the chairman.

Complies  Partial compliance  Explanation  Not applicable

Although the Articles of Association and Regulations of the Board of Directors do not expressly assign to the lead independent Director the powers contemplated in this Recommendation, said Director is entirely free to exercise them.

The Articles of Association and Regulations of the Board do not establish any limit on the exercise of those powers by the lead independent Director or any other Director.

After studying this Recommendation, the Company considers that since any Director, not only the lead independent Director, may exercise the powers contemplated in this Recommendation, and since the Chairman is the only one who has executive duties, this is sufficient to avoid any concentration of powers in the executive Chairman, as sought by the Code of Good Governance.

35. The secretary of the board should especially ensure that the actions and decisions of the board follow the recommendations on good governance contained in the Code of Good Governance that are applicable to the company.

Complies  Explanation

36. The full Board should assess once a year and, where necessary, adopt an action plan to correct any deficiencies detected in respect of:

- a) The quality and effectiveness of the Board's actions.
- b) The functioning and composition of its committees.
- c) Diversity in the composition and powers of the Board.
- d) The performance by the Chairman of the Board and Chief Executive Officer of their respective duties;
- e) The performance and contribution of each director, paying special attention to the heads of the different board committees.

The different committees should be assessed based on the reports they submit to the Board and the Board will be assessed on the basis of the report it submits to the Nomination Committee.

Every three years, the Board will be assisted in this assessment by an external consultant, whose independence shall be checked by the Nomination Committee.

The business relations that the consultant or any company in its group has with the company or any company in its group should be described in the Annual Corporate Governance Report.

The process and areas assessed should also be described in the Annual Corporate Governance Report.

Complies  Partial compliance  Explanation

37. When there is an Executive Committee, the balance between the different types of director should roughly mirror that of the Board and its secretary should be the Secretary of the Board.

Complies  Partial compliance  Explanation  Not applicable

The Secretary of the Board is also secretary of the Executive Committee.

The Company partially complies with this Recommendation because following the death on 16 February 2017 of an independent Director who was on the Executive Committee, this Committee has one executive Director (the Chairman of the Board, who also chairs this Committee) and two proprietary Directors.

The Company is aware of this situation and is studying the best way to include an independent Director in this Committee.

38. The Board should be informed at all times of the business transacted and decisions made by the Executive Committee and all Board members should receive a copy of the minutes of Executive Committee meetings.

Complies  Explanation  Not applicable

39. The members of the Audit Committee, especially its chairman, should be appointed on account of their expertise and experience in accounting, auditing or risk management, and most of those members should be independent directors.

Complies  Partial compliance  Explanation

40. Under the supervision of the Audit Committee, there should be an internal audit unit to see that the internal control and reporting systems work properly. This unit should report to the non-executive chairman of the Board or the chairman of the Audit Committee.

Complies  Partial compliance  Explanation

41. The head of the internal audit unit should submit its annual work programme to the Audit Committee, report directly any incidents that may arise during its fulfilment and submit an activity report at the end of each year

Complies  Partial compliance  Explanation  Not applicable

42. In addition to those contemplated in law, the Audit Committee should have the following duties:

1. In connection with the internal control and reporting systems:

- a) Supervise the preparation and integrity of the company's, and where appropriate the group's, financial reporting, checking compliance with the legal requirements, adequate definition of the scope of consolidation and correct application of accounting principles.
- b) Oversee the independence and efficacy of the internal audit department; propose the nomination, appointment, re-appointment and removal of the chief audit officer; propose the budget for this department; approve its approach and working plans, making sure its activity focuses mainly on the material risks of the company; receive regular information on its activities; and check that the top management heeds the conclusions and recommendations set out in its reports.

- c) Establish and supervise a "whistle-blowing" procedure so employees can confidentially and, where appropriate, even anonymously report any potentially important irregularities they observe within the company, particularly in financial and accounting aspects.

2. In connection with the external auditors:

- a) Investigate the circumstances giving rise to resignation of any external auditor.
- b) Ensure that the remuneration of the external auditors for their work does not jeopardise their quality or independence.
- c) See that the company reports the change of auditor to the CNMV in a regulatory disclosure, attaching a declaration on the possible existence of disagreements with the outgoing auditor and the contents of those disagreements, if any.
- d) Make sure that the external auditors hold an annual meeting with the full board to inform on the work done and the evolution of the company's risks and accounting situation.
- e) Ensure that the company and external auditors respect the provisions in place on the provision of services other than auditing, limits on the concentration of the auditor's business and, in general, any other provisions regarding the independence of auditors.

Complies  Partial compliance  Explanation

43. The Audit Committee may call any employee or executive of the company into its meetings, even ordering their appearance without the presence of any other senior officer.

Complies  Partial compliance  Explanation

44. The Audit Committee should be informed on any corporate and structural operations that the company plans to make, so that it can analyse them and submit a preliminary report to the board on the economic terms and impact on accounts, and particularly on the exchange ratio proposed, if any.

Complies  Partial compliance  Explanation  Not applicable

45. The risk control and management policy should identify at least:

- a) The different types of risk, financial and non-financial (including operational, technological, legal, social, environmental, political and reputational) to which the company is exposed, including contingent liabilities and other off-balance-sheet risks among the financial or economic risks.
- b) The risk level that the company considers acceptable.
- c) The measures contemplated to mitigate the impact of the risks identified, should they materialise.
- d) The internal control and reporting systems to be used to control and manage those risks, including contingent liabilities and other off-balance-sheet risks.

Complies  Partial compliance  Explanation

46. Under the direct supervision of the audit committee or, as the case may be, an ad hoc committee of the board, there should be an internal risk control and management role exercised by an internal unit or department of the company expressly having the following duties:

- a) See that the risk control and management systems work properly and, in particular, that all the major risks affecting the company are adequately identified, managed and quantified.
- b) Participate actively in the preparation of the risk strategy and in the major decisions on their management.
- c) See that the risk control and management systems adequately mitigate the risks within the policy defined by the board.

Complies  Partial compliance  Explanation

47. Companies should ensure that the members of the Nomination and Remuneration Committee -or the Nomination Committee and the Remuneration Committee, if they are separate- have adequate experience, skills and expertise for the duties they are to perform and that most of those members are independent directors.

Complies  Partial compliance  Explanation

All the members of the Nomination and Remuneration Committee have adequate experience, skills and expertise for their duties.

The Nomination and Remuneration Committee of the Company has four members, two of whom are proprietary Directors and the other two are independent, including the Chairman of the Committee.

Although the Company considers that the present composition of the Nomination and Remuneration Committee complies with the principles of the Code of Good Governance in this respect, it will bear this Recommendation in mind if it fills the vacancy currently existing on the Board of Directors.

48. Companies with a high level of capitalisation should have a separate nomination committee and remuneration committee.

Complies  Explanation  Not applicable

49. The nomination committee should consult the chairman of the board and the chief executive of the company, especially on matters referring to the executive directors.

And any director should be able to request the nomination committee to consider potential candidates to fill vacancies on the board, in case they were suitable in the committee's opinion.

Complies  Partial compliance  Explanation

50. The remuneration committee should perform its duties independently, having the following duties in addition to those assigned to it by law:

- a) Propose to the board the basic terms of contract of the senior executives.
- b) See that the remuneration policy established by the company is observed.
- c) Periodically review the remuneration policy applied to directors and senior executives, including the systems of payment with shares and their application, and ensure that their individual remuneration is in proportion to that paid to other directors and senior executives of the company.
- d) Ensure that any conflicts of interest that may arise do not jeopardise the independence of the external counselling provided to the committee.
- e) Check the information on the remuneration of directors and senior executives in the different corporate documents, including the annual report on directors' remuneration.

Complies  Partial compliance  Explanation

51. The remuneration committee should consult the chairman of the board and the chief executive of the company, especially on matters referring to the executive directors and senior executives.

Complies  Partial compliance  Explanation

52. The rules of composition and procedure of the supervision and control committees should be included in the regulations of the board and be coherent with those applicable to the committees required by law according to the foregoing recommendations, including the following:

- a) The members should be exclusively non-executive directors, most of them independent directors.
- b) They should be chaired by independent directors.
- c) The board should appoint the members of these committees on account of the expertise, skills and experience of the directors and the duties of each committee; and the committees should discuss its proposals and reports; and report on its activities at the first board meeting following their meetings, answering for the work done.
- d) The committees should be able to obtain external counselling whenever they may consider it necessary to perform their duties.
- e) Minutes should be issued of their meetings and made available to all directors.

Complies  Partial compliance  Explanation  Not applicable

53. The supervision of compliance with the rules of corporate governance, internal codes of conduct and corporate social responsibility policy should be assigned to one or distributed among several committees of the board, which may be the audit committee, the nomination committee, the corporate social responsibility committee, if any, or an ad hoc committee that the board, exercising its powers of self-organisation, may decide to set up. These committees should specifically have the following minimum duties:

- a) Oversight of compliance with the internal codes of conduct and the company's corporate governance rules.
- b) Supervision of the strategy of communication and relations with investors and shareholders, including small and medium-sized shareholders.
- c) Periodical assessment of the adequacy of the company's corporate governance system to ensure that it fulfils its mission of promoting corporate interests and takes account of the legitimate interests of the other stakeholders, where appropriate.
- d) Review of the company's corporate responsibility policy, making sure that it is geared towards creating value.
- e) Monitoring of the corporate social responsibility strategy and practices and assessment of the degree of compliance.
- f) Supervision and assessment of the processes of relations with different stakeholders.
- g) Assessment of everything related with non-financial risks in the company, including operational, technological, legal, social, environmental, political and reputational risks.
- h) Coordination of the reporting process for non-financial information and diversity, complying with the applicable legal provisions and international benchmark standards.

Complies  Partial compliance  Explanation

54. The corporate social responsibility policy should include the principles or commitments that the company voluntarily undertakes in its relationships with the different stakeholders and define at least the following:

- a) The corporate social responsibility goals and the development of supporting instruments.
- b) The corporate strategy related with sustainability, the environment and social issues.
- c) Specific practices in matters related with shareholders, employees, customers, suppliers, social issues, environment, diversity, tax responsibility, respect for human rights and prevention of unlawful conduct.
- d) The methods or systems for monitoring the results of applying the specific practices contemplated in the preceding paragraph, the associated risks and management thereof.
- e) The mechanisms for supervising non-financial risks, ethics and business conduct.
- f) The communication channels, participation and dialogue with stakeholders.
- g) Responsible communication practices to avoid manipulation of information and protect integrity and honour.

Complies  Partial compliance  Explanation

55. The company should inform, in a separate document or in the directors' report, on matters related with corporate social responsibility, using one of the internationally accepted methodologies.

Complies  Partial compliance  Explanation

56. The remuneration of directors should be high enough to attract and retain directors with the desired profiles and remunerate the dedication, qualification and responsibility required by their office, but should not so high as to jeopardise the independence of non-executive directors.

Complies  Explanation

57. Variable remuneration linked to the company's yield and personal performance and the remuneration paid in shares, stock options, rights over shares or instruments indexed to the value of the share, and long-term savings systems such as pension plans, retirement schemes or other welfare systems, should be limited to executive directors.

The delivery of shares as remuneration to non-executive directors may be contemplated when it is conditional upon holding those shares until they retire from the board. This will not be applicable to any shares that the director may need to sell to pay the costs incurred in their acquisition.

Complies  Partial compliance  Explanation

58. For variable remunerations, the remuneration policies should establish the limits and technical precautions required to make sure those remunerations are linked to the professional performance of their beneficiaries and do not merely derive from general trends on the markets or in the company's sector of business or other similar circumstances.

In particular, the variable components of the remuneration should:

- a) Be linked to predetermined, measurable yield criteria, which consider the risk assumed to obtain a result.
- b) Promote the company's sustainability and include non-financial criteria that are adequate for the creation of long-term value, such as compliance with the internal rules and procedures of the company and its policies for the control and management of risks.
- c) Be based on a balance between meeting short, medium and long-term goals, permitting the remuneration of yield achieved through continuous performance over a sufficient period of time to appreciate their contribution to the sustainable creation of value, such that the elements for measuring that yield are not related only with one-off, occasional or extraordinary events.

Complies  Partial compliance  Explanation  Not applicable

59. The payment of a significant part of the variable components of remuneration should be deferred for a minimum time that is sufficient to check that the yield conditions established above have actually been met:

Complies  Partial compliance  Explanation  Not applicable

60. Earnings-linked remuneration should take account of any qualifications made in the report by the external auditors that may reduce those earnings.

Complies  Partial compliance  Explanation  Not applicable

61. A significant percentage of the variable remuneration of executive directors should be linked to the delivery of shares or financial instruments indexed to their value.

Complies  Partial compliance  Explanation  Not applicable

Of the two executive Directors, only the Chairman of the Board of Directors, Antonio Hernández Callejas, receives remuneration for his executive duties. Herculanz Investing Group, S.L. does not receive any such remuneration, for the reasons explained elsewhere in this Report.

The current variable remuneration systems of the executive Director are described in the Annual Report on Directors' Remuneration 2017 and are linked to the achievement of pre-established measurable, quantifiable objectives related with personal performance and other factors that promote the Company's and Group's long-term sustainability and profitability.

Although Article 22 of the Articles of Association contemplates the possibility that directors may receive remuneration in the form of shares, stock options or any other system of remuneration indexed to the price of the shares, the Board of Directors has not so far submitted this form of remuneration to approval by the General Meeting, considering that the systems of variable remuneration of the executive Director currently used are most appropriate for stimulating his motivation and personal performance, and his commitment to and relationship with the Group's interests.

After studying this Recommendation, the Company considers that the current system for remuneration of the only executive Director who receives remuneration for his executive duties (the Chairman) is adequate for his professional talent and profile, and his relationship with the significant shareholder Herculanz Investing Group, S.L. (see section C.1.17 and explanatory Note six of section H of this Report on the executive Chairman's relationship with Herculanz Investing Group, S.L.). The Company also considers that this system incorporates the necessary mechanisms to avoid excessive exposure to risks and reward for unfavourable results, as recommended by the Code of Good Governance.

62. Once the shares, stock options or rights over shares corresponding to the remuneration systems have been distributed, the directors may not transfer the ownership of a number of shares equivalent to twice their annual fixed remuneration or exercise the stock options or rights until at least three years after being allotted those shares, options or rights.

This will not be applicable to any shares that the director may need to sell to pay the costs incurred in their acquisition.

Complies  Partial compliance  Explanation  Not applicable

63. Contracts should include a clawback clause whereby the company may to claim repayment of the variable components of remuneration when the amounts paid do not correspond to fulfilment of the conditions regarding yield or when paid on the basis of data subsequently proved to be misstated.

Complies  Partial compliance  Explanation  Not applicable

64. Termination benefits should not exceed a specified amount equivalent to two years' total annual remuneration and should not be paid until the company has confirmed that the director has met the performance requirements established above.

Complies  Partial compliance  Explanation  Not applicable

## H OTHER INFORMATION OF INTEREST

1. If you consider there to be any important aspects regarding the corporate governance practices applied by your company or other companies in the group that have not been mentioned in this report, but which should be included to obtain more complete, reasoned information on the corporate governance practices and structure in the company or group, describe them below and give a brief explanation.

2. This section may be used to include any other information, clarification or qualification relating to the previous sections of the report, provided it is relevant and not repetitive.

In particular, state whether the company is subject to any laws other than the laws of Spain on corporate governance and, if this is the case, include whatever information the company may be obliged to supply that differs from the information included in this report.

3. The company may also state whether it has voluntarily applied any international, sector-based or other codes of ethical principles or good practices. If so, it should name the code in question and the date of its accession.

### EXPLANATORY NOTE ONE, CONCERNING THE CHANGES ON THE BOARD, THE CURRENT COMPOSITION OF THE BOARD AND THE CLASSIFICATION OF DIRECTORS

#### A) CHANGES ON THE BOARD

In addition to the retirement of two directors as reported in section C.1.2 of this report, the following changes occurred in the board during 2017:

- At the Board of Directors meeting held on 29 March 2017, after a favourable assessment by the Nomination and Remuneration Committee, Javier Gómez-Trenor Vergés was incorporated as the new representative on the Board of the corporate Director Empresas Comerciales e Industriales Valencianas, S.L., taking over from Juan Luis Gómez-Trenor Fos, who passed away in January 2017.

- At the same meeting and upon proposal by the Nomination and Remuneration Committee, the independent irector José Ignacio Comenge Sánchez-Real was appointed Lead Independent Director to take the place of José Antonio Segurado García, who passed away in February 2017.

- On 28 June 2017, in view of the reports by the Nomination and Remuneration Committee and the Board of Directors, the significant shareholder Corporación Económica Delta, S.A. (represented by María Carceller Arce) was appointed proprietary Director by cooptation, to fill the vacancy produced by the resignation as of 1 June 2017 of the proprietary Director Dr. August Oetker.

The following changes have occurred within the Board of Directors between 31 December 2017 and the date of issuance of this Report:

- Javier Fernández Alonso tendered his resignation as Director and member of the Executive Committee and the Strategy and Investment Committee on 31 January 2018. Mr. Fernández Alonso was classified as a proprietary Director by virtue of having been nominated upon proposal by the significant shareholder Corporación Financiera Alba, S.A.
- At the Board of Directors meeting held on the same date, 31 January 2018, in view of the reports by the Nomination and Remuneration Committee and the Board of Directors, Corporación Financiera Alba, S.A. (represented by Javier Fernández Alonso) was appointed proprietary Director by cooptation, to fill the vacancy produced by the resignation of Mr Fernández Alonso. Corporación Financiera Alba, S.A. was also appointed member of the Executive Committee and the Strategy and Investment Committee.
- On 21 March 2018 (date of issuance of this Report), Corporación Económica Delta, S.A. (represented by María Carceller Arce) stepped down as proprietary Director, being so classified by virtue of its status as significant shareholder.
- On the same date, 21 March 2018, in view of the reports by the Nomination and Remuneration Committee and the Board of Directors, the Board resolved to appoint María Carceller Arce proprietary Director by cooptation in order to fill the vacancy produced by that resignation.

#### B) PRESENT COMPOSITION OF THE BOARD

Following the changes indicated in A) above, the composition of the board at the date of this report is as follows:

- Antonio Hernández Callejas, Chairman. Executive Director
- Demetrio Carceller Arce, Vice-Chairman. Proprietary Director upon proposal by the significant shareholder Corporación Económica Delta, S.A.
- Alimentos y Aceites, S.A., represented by Concepción Ordiz Fuertes. Proprietary Director by virtue of its status as significant shareholder
- Belén Barreiro Pérez-Pardo. Independent Director
- Fernando Castelló Clemente. Independent Director
- José Ignacio Comenge Sánchez-Real. Lead independent Director
- Mercedes Costa García. Independent Director
- Empresas Comerciales e Industriales Valencianas, S.L.U., represented by Javier Gómez-Trenor Vergés. Proprietary Director by virtue of its status as significant shareholder
- Grupo Tradifin, S.L.U., represented by Blanca Hernández Rodríguez. Proprietary Director by virtue of its status as significant shareholder
- Heralianz Investing Group, S.L.U., represented by Félix Hernández Callejas. Executive Director. Director by virtue of its status as significant shareholder. See section C) of this explanatory Note for the reasons for its classification as executive.
- Corporación Financiera Alba, S.A., represented by Javier Fernández Alonso. Proprietary Director by virtue of its status as significant shareholder
- María Carceller Arce. Proprietary Director upon proposal by the significant shareholder Corporación Económica Delta, S.A.

The vacancy caused by the death of José Antonio Segurado García on 16 February 2017 has not yet been filled at the date of this Report.

#### C) CLASSIFICATION OF THE DIRECTOR HERCALIANZ INVESTING GROUP, S.L.

The following is put on record regarding the classification of Heralianz Investing Group, S.L. as executive Director:

- (i) It does not perform executive or management duties in Ebro Foods, S.A. or any subsidiary of the Group and, therefore, receives no remuneration for such duties.
- (ii) It is classified as an executive Director because its individual representative on the Board of Directors of Ebro Foods, S.A. is an executive of one of the Group's subsidiaries.
- (iii) It holds the position of director because it is a significant shareholder of the Company, with a total direct and indirect interest of 7.961%. Heralianz Investing Group, S.L. would continue to be a Director of Ebro Foods, S.A. during such time as it continues to be a significant shareholder, regardless of who its personal representative is and the executive position that said representative may hold within the Group.

#### EXPLANATORY NOTE TWO, ON SECTION A.5

Relationships between the companies of the Ebro Foods Group and the significant shareholders, excluding those who are Directors, are explained in section A.5.



See sections D.2 and D.3 of this Report.

#### EXPLANATORY NOTE THREE, ON SECTION C.1.12

José Ignacio Comenge Sánchez-Real is on the Board of Ence Energía y Celulosa, S.A., as representative of the corporate director Mendibea 2002, S.L.

#### EXPLANATORY NOTE FOUR, ON SECTION C.1.15

The directors' remunerations indicated in section C.1.15 include attendance fees received by the Chairman of the Board of Ebro Foods, S.A., Antonio Hernández Callejas, as Director of Pastificio Lucio Garofalo, S.p.A. (a company in the Ebro Group), totalling 5,000 euros and paid by that company.

In addition, the Chairman of the Board of Directors received 5,200 euros from Riso Scotti, S.p.A. (associate company, in which Ebro Foods, S.A. holds a 40% interest) in attendance fees as Director of that company.

#### EXPLANATORY NOTE FIVE, ON SECTION C.1.16

All the company executives of Ebro Foods, S.A. are included in section C.1.16.

For this purpose, the heads of the principal departments of Ebro Foods, S.A. are considered "executives" even if they do not have a senior management employment relationship with the company. This is the case of the Chief Operating Officer (COO) of the Ebro Group.

#### EXPLANATORY NOTE SIX, ON SECTION C.1.17

- Grupo Tradifin, S.L. and Heralianz Investing Group, S.L. are Directors and significant shareholders of Ebro Foods, S.A. with an interest of 7.961% each.

- Antonio Hernández Callejas has a direct interest of 33.333% in Heralianz Investing Group, S.L. and, therefore, an indirect interest in Ebro Foods, S.A. through the 7.961% direct interest held by Heralianz Investing Group, S.L. in Ebro Foods, S.A.

- Félix Hernández Callejas, representative of Heralianz Investing Group, S.L. on the Board of Directors of Ebro Foods, S.A., has a direct interest of 33.333% in Heralianz Investing Group, S.L. and, therefore, an indirect interest in Ebro Foods, S.A. through the 7.961% direct interest held by Heralianz Investing Group, S.L. in Ebro Foods, S.A. Félix Hernández Callejas is joint and several Director of that company.

- Blanca Hernández Rodríguez, representative of Grupo Tradifin, S.L. on the Board of Directors of Ebro Foods, S.A., has a direct interest of 33.25% in Grupo Tradifin, S.L. and, therefore, an indirect interest in Ebro Foods, S.A. through the 7.961% direct interest held by Grupo Tradifin, S.L. in Ebro Foods, S.A. Blanca Hernández Rodríguez is Managing Director of that company.

- Demetrio Carceller Arce has a direct interest of 0.823% in Sociedad Anónima Damm and an indirect interest in Ebro Foods, S.A. through the 11.507% indirect interest held by that company in Ebro Foods, S.A. through Corporación Económica Delta, S.A.

- Javier Gómez-Trenor Vergés, representative of Empresas Comerciales e Industriales Valencianas, S.L. on the board of directors of Ebro Foods, S.A., has a direct interest of 16.63% in Empresas Comerciales e Industriales Valencianas, S.L. and, therefore, an indirect interest in Ebro Foods, S.A. through the 7.827% direct interest held by that company in Ebro Foods, S.A. Javier Gómez-Trenor Vergés is Chairman of the Board of Empresas Comerciales e Industriales Valencianas, S.L.

María Carceller Arche, director since 21 March 2018, has a direct interest of 0.04% in Sociedad Anónima Damm and an indirect interest in Ebro Foods, S.A. through the 11.507% indirect interest held by that company in Ebro Foods, S.A. through Corporación Económica Delta, S.A. She also has a direct interest of 0.003% in Ebro Foods, S.A.

#### EXPLANATORY NOTE SEVEN, ON SECTION C.2.1

A. The name of the audit committee in the company is "Audit and Compliance Committee" and the name of the nomination and remuneration committee is "Nomination and Remuneration Committee".

B. Grupo Tradifin, S.L. was appointed member of the Audit and Compliance Committee on account of the expertise and experience in accounting and auditing of its representative, Blanca Hernández Rodríguez.

C. The changes in the Board indicated in explanatory Note one of this section H have only affected the composition of the Executive Committee and the Strategy and Investment Committee, in which Javier Fernández Alonso was replaced as of 31 January 2018 by the proprietary Director Corporación Financiera Alba, S.A., represented by Mr Fernández Alonso. Corporación Financiera Alba, S.A. is a member of both Committees.

#### EXPLANATORY NOTE EIGHT, ON SECTION D.3

With regard to the related party transactions with directors and executives listed in section D.3 of this Report, we inform as follows:

- The Directors Grupo Tradifin, S.L. and Heralianz Investing Group, S.L. each own 50% of Instituto Hispánico del Arroz, S.A., with which the Ebro Group habitually enters into commercial transactions at market prices and on arm's length terms. The transactions effected with that company and its subsidiaries in 2017 are indicated in section D.3 as associated with the Director Heralianz Investing Group, S.L., although they must also be considered associated with the Director Grupo Tradifin, S.L. by virtue of the 50% stake this Director holds in Instituto Hispánico del Arroz, S.A.
- During 2017, Ebro Foods, S.A. distributed a sum of €17 thousand in dividends among the executives listed in section C.1.16 of this Report.

#### EXPLANATORY NOTE NINE, ON SECTION D.5

A summary of the transactions made in 2017 between companies of the Ebro Group and "other related parties" is set out below:

- Transactions between the Ebro Foods Group and Hernández Barrera Servicios, S.L., a company in which Félix Hernández Callejas, representative of the Director Heralianz Investing Group, S.L. on the Board of Ebro Foods, S.A., is Director.
  - Services rendered in a sum of €2 thousand
  - Services received in a sum of €291 thousand
- Dividends distributed to individuals representing corporate Directors on the Board of Ebro Foods, S.A. in a sum of €2 thousand.

#### EXPLANATORY NOTE TEN

Ebro Foods, S.A. has a 40% interest in Riso Scotti S.p.A. This is an associated investment consolidated by the equity method.

The transactions made during 2017 between Riso Scotti S.p.A. and companies in the Ebro Foods Group are summarised below:

- Purchase of goods (finished or otherwise), €600 thousand
- Sale of goods (finished or otherwise), €2,910 thousand
- R&D transfers and licence agreements, €9 thousand
- Other income, €5 thousand
- Dividends received, €750 thousand
- Services rendered (income), €6 thousand

#### EXPLANATORY NOTE ELEVEN, ON SECTION E.5

Details are given below of the risks that occurred during 2017, listed in section E.5 of this Report:

- Commodity price and availability risk

Aromatic rice prices rose progressively as from the second quarter of 2017, owing to a smaller sowing area in recent crop years and a smaller quantity of water available in some of the growing areas, which affected the harvest and the carryover stock. The price rise first hit the basmati rice varieties, then extended to Thai fragante. Average year-on-year export prices fluctuated by over 40% in basmati varieties, while the variation in Thai fragante was similar to December 2016.

It is difficult to pass on higher commodity costs to customers, especially when they are so abrupt as those described above, and lengthy negotiations are required, so part of the increased cost must be borne by the company. The final impact will depend on the negotiations under way with customers in some of the Group's principal markets.

The risk that the rice campaign 2017/18 in southern Spain will be affected by the drought has been considered probable in recent months, when the water levels in reservoirs regulating the river basins concerned have been unprecedentedly low. If this situation continues, irrigation could be limited in rice-growing areas, with material consequences for the forthcoming harvest.

This possibility is significant for the Group, as the area concerned is a major source of supply for our plants in the south of the peninsula. To mitigate this risk, protocols have been activated to raise the carryover levels for the next crop year and find new sources of supply in other countries (such as Argentina, which would give us a counter-cycle harvest).

As we reported last year, the tougher sanitary controls for rice and the prohibition to use certain fungicides for pest control in the European Union present a challenge for guaranteeing supply and quality from certain sources, especially in South East Asia. The Group has maintained its commitment to quality, strictly monitoring the procurement policy and quality control at source, and working conscientiously with local growers and producers.

Prior to the new harvest of durum wheat, the announcement of a smaller growing area and poor quality of carryover stock sowed unrest in the market over the summer, especially in North America, where prices unexpectedly hiked. The situation stabilised after the summer as the quality of the new harvest proved to be higher than the average over the past ten years and the production estimated in the rest of the world offset the smaller harvest in North America, but a short position of our subsidiary pushed up the cost of supplies in this geographical area. Despite the difficulty of foreseeing this type of situations, new measures have been taken to monitor and coordinate the purchase departments in the different supply regions.

- Country risk

The uncertainty surrounding the UK's exit from the European Union remains in similar terms to those mentioned in this report last year.

- Risk of natural catastrophes and accidents

The effects of hurricanes Harvey and Irma, which hit the south of the United States, were felt in our Texas plants (Freeport and Alvin), the distribution centre in Florida and the head offices of Riviana in Houston.

Prior to the imminent arrival of the hurricanes, the planned precautionary measures were taken to: (i) prevent the water coming into contact with the rice in the silos and the finished product; and (ii) divert production as far as possible to the Group's other plants.

Despite those preventive measures, damage was caused to the electrical installations and the product in store and extraordinary costs were incurred in reprocessing the rice and inventory control and safety measures, which dented the profit for the year. The risk control management immediately assessed the value of damage in order to claim from the insurance company. This is currently pending settlement.

Furthermore, a fire broke out this year at a finished product warehouse owned by a third party in the USA, caused by an electrical problem. This damaged product we had deposited at that warehouse. The damage was promptly analysed, the value of the damaged stock was assessed and a claim was filed for the sums insured, which are expected to cover practically all the damage.

- Competition risk

The challenges of aggressive price competition faced by our pasta subsidiary in Canada, which we mentioned last year, still represent a significant risk for maintaining margins and the value of assets related with that business unit. Efforts continued with a view to securing customer loyalty and adequate sales volumes, while investing in innovation in order to achieve market growth and an adequate price structure.

- Regulatory and reputational risk

Two ministerial decrees were published in Italy during the year, introducing the obligation to state on the packaging the origin of all rice sold in Italy and the wheat used to produce the pasta sold in the country, as well as the location of processing those products.

The packaging must clearly state whether the product is from Italy, the rest of the EU or other origins.

The decrees met with a major response from other exporting countries, such as Canada and the USA and the Food Drink Europe grouping, since it represented a rupture of the Common Market. It was also contested by Italian producers (Aidepi), who considered the measure hasty and confusing, since it linked the Italy brand exclusively with the source of the wheat used to produce it. Even so, they entered into force in February 2018, although the European Union is expected to issue a firm opinion during 2018 regarding the growing trend of demanding identification on the labelling of products' country of origin.

Our Group sells pasta in that country along with numerous Italian manufacturers. There is no obligation to source wheat from Italy for that pasta and we believe that the true value added derives from an exhaustive selection of the grain used and a top quality production process, which combines tradition and state-of-the-art controls, so no changes are planned in our specifications.

- Exchange rate risk

The USD-euro exchange rate was highly volatile during the year, rising from approximate parity (with rates of up to 1.03 USD/euro) at the beginning of January to over 1.20 USD/euro in early September and the end of December, continuing into January 2018. This situation has two principal effects for the Group:

a) Since approximately 40-45% of our income is generated in that currency, exchange rate fluctuations have a direct effect on the Group's profits when those amounts are translated to our functional currency, the euro.

b) Because a significant part of our raw materials are purchased in USD.

In this regard, despite a correlation between the evolution of the exchange rate and the source prices of these raw materials, there is still an exchange rate risk, which the Group tries to hedge with financial instruments. The greater the volatility, the greater the uncertainty and the greater the difficulty of establishing an adequate hedging policy.

EXPLANATORY NOTE TWELVE, ON SECTION G

- RECOMMENDATION 11

The Company has a Policy on Attendance Fees for General Meetings, which establishes the principle that those fees will not be cash payments, but the delivery of a gift related with the products of Ebro Group and/or its brands.

- RECOMMENDATION 17

Following the death of an independent director in February 2017, a vacancy was produced on the Board. At the date of this report, that vacancy still exists. At the AGM held on 1 June 2017 it was resolved to maintain the number of Board members at 13, but the vacancy has not been filled.

The board currently has four independent Directors, representing 30.76% of the total Board of thirteen members (33.33% of the total of twelve if we do not count the vacant position).

Therefore, since Ebro Foods, S.A. has a low capitalisation, it complies with the recommendation for the number of independent Directors to represent at least one-third of the total Directors.

Nevertheless, the Nomination and Remuneration Committee is studying the possibility of filling the vacancy on the Board with the appointment of a new independent Director.

ETHICAL PRINCIPLES AND CODES VOLUNTARILY APPLIED BY EBRO FOODS, S.A.:

- United Nations Global Compact - 2001
- Project of the Spanish Commercial Coding Association (AECOC) against food waste, "Don't waste food, use it" - 2012
- Member of the Advisory Committee of the United Nations Sustainable Development Goals Fund (SDGF) to boost the Sustainable Development Goals (SDG) - 2015
- Sustainable Agriculture Initiative (SAI) Platform - 2015
- SERES Foundation - 2015
- Sustainable Rice Platform - 2016
- Forética. 2017
- Cool Farm Alliance. 2017

This Annual Corporate Governance Report was approved by the Board of Directors of the company on 21/03/2018.

State whether any directors voted against approval of this Report or abstained in the corresponding vote.

YES  NO

**The English version of this document is purely informative.  
In the event of any discrepancy between the Spanish and English versions of  
this document, the Spanish version will prevail.**

**EBRO FOODS, S.A.**

**Auditor Report on the “2017 Disclosures Regarding the Internal Control over Financial Reporting System”**

Translation of a report originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

AUDIT REPORT ON THE "DISCLOSURES REGARDING THE INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR) SYSTEM" OF EBRO FOODS, S.A. FOR 2017

To the Board of Directors of Ebro Foods S.A.,

As per the request made by the Board of Directors of EBRO FOODS, S.A. (hereinafter, the Company) and our proposal letter of November 23, 2017, we have applied certain procedures in relation to the accompanying "ICFR disclosures" of EBRO FOODS, S.A. for 2017, which summarize the Company's internal control procedures in respect of its annual reporting exercise.

The Board of Directors is responsible for taking the opportune measures to reasonably assure the implementation, maintenance and supervision of an adequate internal control system, making improvements to this system and preparing the contents of the ICFR disclosures required of the accompanying Annual Corporate Governance Report (ACGR).

Against this backdrop, it is important to note that, regardless of the quality of design and effective functioning of the ICFR system adopted by the Company in respect of its annual financial reporting effort, the latter can only provide reasonable but not absolute assurance regarding the objectives pursued, due to the limitations intrinsic to any internal control system.

In the course of our financial statement audit work and in keeping with Spain's Technical Auditing Standards, the sole purpose of our assessment of the Company's internal controls was to enable us to establish the scope, nature and timing of the Company's financial statement audit procedures. Accordingly, our internal control assessment, performed in connection with the financial statement audit, was not sufficiently broad in scope to enable us to issue a specific opinion on the effectiveness of the internal controls over the annual financial disclosures that the Company is required to present.

For the purpose of issuing this report, we have only carried out the specific procedures described below, as indicated in the Procedures for external audit reviews of an entity's ICFR disclosures contained in the Internal Control over Financial Reporting in Listed Companies report published by Spain's securities market regulator, the CNMV (and available on its website), which establishes the procedures to be performed, the scope thereof and the contents of this report. Given that the products resulting from these procedures is at any rate limited in scope and substantially more limited than an audit or review of the internal control system, we do not express any opinion on the effectiveness of the system or on its design as effective functioning in respect of the Company's 2017 financial reporting disclosures, as described in the accompanying ICFR disclosures. Consequently, had we performed additional procedures to those stipulated in the above mentioned that the Company is required to present, other matter might have come to our attention that would have been reported to you.

Furthermore, given that this special assignment neither constitutes a financial statement audit nor is subject to the Consolidated Text of Spain's Financial Statement Audit Act, we do not express an opinion in the terms provided for in that piece of legislation.

The procedures performed are itemized below:

1. Read and understand the information prepared by the Entity in relation to the ICFR - which is provided in the Director's Report disclosure- and assess whether such information addresses all the required information which will follow the minimum content detailed in Section F, relating to the description of the ICFR, as per the ACGR model established by CNMV Circular nº 7/2015 dated December 22, 2015.
2. Questioning of personnel responsible for drawing up the information detailed in item 1 above: (i) to obtain an understanding of the process that goes into drawing up the information; (ii) to obtain information that permits an evaluation of whether the terminology used complies with the framework definitions; and (iii) to obtain information on whether the control procedures described are in place and functioning.
3. Reviewing the explanatory documents supporting the information detailed in item 1, including documents directly made available to those responsible for describing ICFR system. The documentation to be reviewed may include reports prepared for the audit committee by internal audit, senior management and other internal or external specialist.
4. Comparing the information detailed in item 1 above with their knowledge of the Company's ICFR obtained through the external audit procedures applied during the annual audit.
5. Reading of the minutes taken at meetings of the board of directors, audit committee and other committees of the Company to evaluate the consistency between the ICFR business transacted and the information detailed in item 1 above.
6. Obtaining a management representation letter in connection with the work performed, signed by those responsible for preparing and formulating the information detailed in item 1 above.

The specific procedures carried out in respect of the Company's ICFR disclosures did not reveal any inconsistencies or incidents that could affect such disclosures.

This report was prepared exclusively within the framework of the requirements established by article 540 of the consolidated text of the Corporate Enterprises Act and by Circular nº7/2015 dated December 22, 2015 of the Spanish National Securities Market Commission related to the description of the ICFR in the Annual Corporate Governance Report.

ERNST & YOUNG, S.L.

(Signed on the original in Spanish)

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David Ruiz-Roso Moyano

March 20, 2018



# Annual Report in Remuneration

## ANNEX 1

### ANNUAL REPORT ON REMUNERATION OF THE DIRECTORS OF LISTED COMPANIES

#### DETAILS OF ISSUER

<b>YEAR ENDED</b>	31/12/2017
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<b>TAX REGISTRATION NUMBER</b>	A47412333
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<b>NAME</b>
EBRO FOODS, S.A.

<b>REGISTERED OFFICE</b>
PASEO DE LA CASTELLANA 20 – 3 <sup>rd</sup> AND 4 <sup>th</sup> FLOORS - MADRID

## ANNUAL REPORT ON REMUNERATION OF THE DIRECTORS OF LISTED COMPANIES

### A. COMPANY'S REMUNERATION POLICY FOR THIS YEAR

A.1 Explain the company's remuneration policy. Information should be included within this section on:

- General principles and foundations of the remuneration policy.
- Most significant changes in the remuneration policy in respect of that applied in the previous year and changes made during the year to the terms and conditions for exercising options already granted.
- Criteria followed and composition of comparable groups of companies whose remuneration policies were taken into account when defining the company's remuneration policy.
- Relative importance of the variable and non-variable remuneration items and criteria followed to determine the components of the directors' remuneration package (remuneration mix).

#### Explain the remuneration policy

The Articles of Association regulate directors' remuneration, in accordance with the applicable legal provisions, in Article 22, making a distinction between the remuneration of directors as such (share in profits and attendance fees for Board and Committees meetings) and the remuneration corresponding to executive directors for their executive duties. See explanatory Note two in section E of this Report, in which Article 22 is transcribed, and Article 41 of the Regulations of the Board.

Based on the regulations laid down in the Company's Articles, the remuneration policy for directors is established in accordance with the following principles:

- (i) Directors shall be remunerated according to their duties, responsibilities and dedication. This remuneration shall be sufficient to retain talent and acknowledge the directors' track record.
- (ii) The remuneration shall be set according to the importance of the Company, its economic situation from time to time and comparable market standards.
- (iii) Directors' remuneration should be reasonable without compromising their independence of judgement, especially that of non-executive directors.
- (iv) The remuneration system of directors, particularly executive directors for their executive duties, shall be designed to boost the company's long-term sustainability and profitability and maximise its value for the benefit of all its shareholders, avoiding excessive exposure to risks and reward for unfavourable results. In this regard, an attractive remuneration system has been designed for executive directors, for their executive duties, (and other senior executives of the Group) with a view to attracting and retaining talent and professional worth on the one hand, and securing an adequate balance between Group earnings and risk exposure on the other.

In keeping with the regulations and principles indicated above, the remuneration policy for Company directors is structured as follows:

- a) All directors, as such, receive a non-variable remuneration set in consideration of (i) the economic situation of the Company (since the share in profits established in the articles is calculated on the basis of the consolidated profits of the Group) and (ii) the duties of each director on the Board and in the different Committees. They also receive attendance fees for Board and Committees meetings.

b) Non-executive directors do not receive any variable remuneration based on the profits of the Company or Group.

c) The executive directors are rewarded for their executive duties as specified in their respective contracts. The scheme remuneration of executive directors (like the scheme remuneration of the main senior executives of the Group) includes the following components:

- annual fixed remuneration;

- annual variable remuneration, depending on the degree of fulfilment of the quantitative and qualitative targets set by the board for each year, based on a report by the Nomination and Remuneration Committee. This remuneration is proportional to the fulfilment of the targets set, establishing a floor (below which variable remuneration is zero) and a ceiling (above which variable remuneration is capped at 150% of the amount payable for meeting the targets); and

- deferred annual variable remuneration, applicable in some cases, as explained in section A.4 of this Report.

**A.2 Information regarding preparatory work and the decision-making process followed to determine the remuneration policy and any role played by the remuneration committee and other control bodies in the configuration of the remuneration policy. This information shall include any mandate given to the remuneration committee, the composition thereof and the identity of any external advisors whose services have been used to determine the remuneration policy. The nature of any directors who contributed towards defining the remuneration policy shall also be indicated.**

#### **Explain the process for determining the remuneration policy**

Article 25.4 of the Regulations of the Board stipulates that the Nomination and Remuneration Committee shall “study, issue reports and submit proposals for the Board on the following matters:

.../...

d) Proposal of directors’ emoluments, according to the system of remuneration established in the Articles of Association and the executive directors’ relationship with the Company. The Committee shall also inform in advance on any resolution or proposal of the Board on the remuneration of directors and executives indexed to the value of the shares in the Company or its subsidiaries or consisting of the delivery of shares in the Company or its subsidiaries or the granting of options thereover.

.../...

h) Preparation and proposal of the Annual Report on Directors’ Remuneration in accordance with the laws and regulations in place from time to time.”

In addition, following the reform of the Corporate Enterprises Act, No. 31/2014 of 3 December (“Act 31/2014”), the Nomination and Remuneration Committee must “submit to the Board a proposal for the remuneration policy for directors and chief executives and any other senior executives reporting directly to the Board, executive committees or managing directors, and the individual remuneration and other terms of contract of executive directors, overseeing compliance”.

The Nomination and Remuneration Committee performs these duties at working meetings held throughout the year.

The composition of this committee at the date of this report is as follows:

- Fernando Castelló Clemente (Independent Director) – Chairman

- Demetrio Carceller Arce (Proprietary Director) – Member

- Grupo Tradifin, S.L. represented by Blanca Hernández Rodríguez (Proprietary Director) – Member

- Mercedes Costa García (Independent Director) – Member

- Luis Peña Pazos (Non-member Secretary)

José Antonio Segurado García, Independent Lead Director, was a member of the Nomination and Remuneration Committee up to his death on 16 February 2017.

Notwithstanding the powers of the Nomination and Remuneration Committee in this matter, following the reform introduced by Act 31/2014 the Board of Directors is exclusively competent to make “decisions on directors’ remuneration, in accordance with the articles of association and the remuneration policy, if any, approved by the general meeting”. Prior to the reform, the board of directors decided on the directors’ remuneration and the terms of contract of executive directors for their executive duties, in view of a report issued by the Nomination and Remuneration Committee, in accordance with the duties assigned to it in the Regulations of the Board and the good governance recommendations in place at that time.

The foregoing powers are included within the framework defined in Article 22 of the Articles of Association transcribed in explanatory Note two, section E of this Report and the remuneration policy applicable from time to time.

**A.3 State the amount and nature of the fixed components, stating separately, if applicable, the remuneration of executive directors for performance of senior management duties, additional remuneration as chair or member of a board committee, attendance fees for meetings of the board and its committees or other non-variable remuneration as director, and include an estimate of the annual fixed remuneration produced. Identify any other benefits not paid in cash and the basic parameters for which they accrue.**

<b>Explain the fixed components of directors’ remuneration</b>
--

a) Fixed remuneration of the directors as such

The fixed sum corresponding to the directors as such (the “Statutory Share in the Profits”) is decided by the General Meeting within the limits established in the Articles of Association.

The distribution of that amount set by the General Meeting is decided by the Board according to the system of points awarded to the directors for the duties of each one on the Board and the different Committees. Under that system, the following points (on the basis of which the Statutory Share in the Profits is distributed) correspond to the directors:

- Member of the Board of Directors: 1 point
- Chairman of the Board: 1 point
- Vice-Chairman of the Board: 0.5 points
- Member of the Executive Committee: 1 point
- Committees other than the Executive Committee:
  - Member of the Committee: 0.2 points
  - Chairman: 0.05 points per meeting
  - Members: 0.03 points per meeting

On 28 February 2018, upon recommendation and with a favourable report by the Nomination and Remuneration Committee, the Board resolved as follows with regard to the Statutory Share in the Profits:

- to maintain the statutory share in the profits of the previous year, of 2,728 thousand euros, representing 1.23% of the consolidated net profit attributed to the Company in 2017; and
- to maintain the attendance fees of 1,600 euros for attending Board meetings and 800 euros for attending the different Committees meetings. Accordingly, the total amount accrued by directors in attendance fees was 272 thousand euros in 2017.

b) Fixed remuneration of executive directors for performing executive duties

The Chairman of the Board, as executive director, received a fixed remuneration for the performance of executive duties of 1,027,388.59 euros in 2017, in accordance with his contract.

For this year (2018), the Board resolved on 28 February 2018 (in view of a favourable report by the Nomination and Remuneration Committee) to raise the fixed remuneration of all the Group's executives in Spain, including the executive Chairman, by 2%.

The Chairman is the only executive director performing executive duties. Although Heralianz Investing Group, S.L. is recognised as an executive director (because its individual representative on the Board of Directors of Ebro Foods, S.A. was an executive of one of the Group's subsidiaries), it has never performed executive or management duties in Ebro Foods, S.A. or any subsidiary of the Group and, therefore, has received no remuneration for such duties..

See sections A.4, A.7, C, D.1 and explanatory Note one in section E of this Report regarding Heralianz Investing Group, S.L. and its classification as executive director.

The individual amounts actually accrued in 2017 by each member of the Board for each of the remuneration components indicated above are set out in section D of this Report.

#### A.4 Explain the amount, nature and main features of the variable components of the remuneration systems.

In particular:

- Identify each of the remuneration schemes of which the directors are beneficiaries and the scope, date of approval, date of implementation, effective period and main features thereof. In the case of stock option plans and other financial instruments, the general features of the plan shall include information on the conditions for the exercise of those options or financial instruments for each scheme.
- State any remuneration received under profit-sharing or bonus schemes and the reason for accrual thereof.
- Explain the fundamental parameters and rationale for any annual bonus plan.
- The types of director (executive directors, non-executive proprietary directors, non-executive independent directors or other non-executive directors) who are beneficiaries of remuneration systems or schemes that include variable remuneration.
- The rationale for such remuneration systems or schemes, the performance assessment criteria used and the components and methods of assessment to determine whether or not those performance criteria have been met. Estimate the total amount of variable remuneration accruing under the current remuneration scheme, according to the degree of fulfilment of the hypotheses or objectives used as the benchmark.
- If applicable, provide information on any payment deferral periods that have been established and/or the periods for retaining shares or other financial instruments.

<b>Explain the variable components of directors' remuneration</b>
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Of the directors, only the Chairman of the Board, as executive director performing executive duties, receives variable remuneration on similar terms to the other senior executives of the company, according to the Directors' Remuneration Policy.

The variable remuneration of the Chairman of the Board for his executive duties includes:

- (i) Annual variable remuneration:

As mentioned in point A.1 above, the annual variable remuneration is proportionate to the level of achievement of the targets established for each year by the Board, in view of a proposal and report by the Nomination and Remuneration Committee.

The annual variable remuneration accrues according to the rules set out in explanatory Note three in section E of this Report.

On 24 February 2016, in view of a favourable report by the Nomination and Remuneration Committee, the Board established the EBITDA budgeted for the consolidated Group as the sole target to be assessed for the ordinary annual variable remuneration of the executive Chairman in 2017.

Based on this, following assessment of the degree of achievement of that target and issuance of the corresponding proposal by the Nomination and Remuneration Committee, the Board confirmed on 28 February 2018 that the target had been met in a percentage of 100.10%, so the annual variable remuneration of the executive Chairman was set at 1,015,985 euros for 2017.

On 28 February 2018, in view of a favourable report by the Nomination and Remuneration Committee, the Board resolved to maintain achievement of the EBITDA budgeted for the consolidated Group as the sole objective to be assessed for the ordinary annual variable remuneration of the Executive Chairman in 2018.

(ii) Deferred annual variable remuneration:

On 24 April 2013, on the proposal of the Nomination and Remuneration Committee, the Board of Directors of Ebro Foods, S.A. approved a Deferred Annual Bonus System linked to fulfilment of the Strategic Plan 2013-2015 for the senior management of the Ebro Foods Group. The Chairman of the Board, as executive director, participates in that System according to the terms of his contract.

As indicated in the Annual Report on Remuneration of the Directors for 2013, the targets established for the last year of the Plan (2015, payable in 2017) are (i) EBITDA and ROCE for such third year to which compliance it is subject the accrual of 25% of the deferred annual variable remuneration and (ii) the qualitative assessment of investments in inorganic growth made during the three-year period, the remaining 25% of the deferred remuneration.

The beneficiaries of the System (including the Chairman of the Board as executive director) will only be entitled to receive the deferred remuneration if they are still working in the Ebro Group at the date of payment. As an exception, the System contemplates early payment in case of (i) the employment relationship with the Company ends during the period of the Plan owing to the death or a final declaration of total, absolute or major disability; and (ii) takeover of the Group or any similar corporate operation.

The Chairman of the Board is entitled to a deferred annual bonus for his executive duties proportional to the degree to which the set targets have been met. If those targets are fully met, he will be entitled to 100% of the bonus, capped at 125% of the budgeted targets (in which case the bonus for the 3-year period would be 125% of the fixed remuneration) and with a floor of 85% of the budgeted targets (at which no bonus would accrue).

The deferred annual bonus will not be payable until eleven months after it has been decided in view of the financial results of each year. For this reason, in 2017 the Chairman of the Board was paid the deferred annual bonus for 2015, in a sum of 485 thousand euros. That sum represents up to 50% of the remuneration for the three-year period, for which a provision was recognised in the 2015 annual accounts.

On 31 March 2016, upon proposal by the Nomination and Remuneration Committee, the Board of Directors approved a new Deferred Annual Bonus System for the senior management of the Ebro Foods Group, linked to fulfilment of the Strategic Plan 2016-2018. The Chairman of the Board, as executive director performing executive duties, participates in that System according to the terms of his contract.

That Deferred Annual Bonus System linked to fulfilment of the Strategic Plan 2016-2018 is identical to the System linked to the Strategic Plan 2013-2015.

A provision of 788 thousand euros has been recognised in the Company's accounts for 2017 as a provisional estimate of the deferred annual variable remuneration payable to the Chairman of the Board (as executive director and for his executive duties) for 2017, under the Deferred Annual Bonus System linked to the Strategic Plan 2016-2018. That sum represents up to 25% of the remuneration for the 3-year period and will be payable in 2019.

The above-mentioned Systems are not linked to the value of the company's share, nor do they entail receipt by its beneficiaries of any shares or rights thereover.

Although Heralianz Investing Group, S.L. is recognised as an executive director, it has never performed executive or management duties in Ebro Foods, S.A. or any subsidiary of the Group and, therefore, has received no remuneration for such duties. The reasons for its classification as executive director are explained in sections A.4, A.7, C, D.1 and explanatory Note one in section E of this Report.

**A.5 Explain the main features of the long-term saving schemes, including retirement and any other survival benefit, wholly or partially financed by the company with internal or external funds, estimating the equivalent annual cost thereof, stating the type of plan, whether it is a defined-contribution or defined-benefit plan, the conditions for the vesting of economic rights in favour of the directors and the compatibility thereof with any kind of termination benefit payable upon interruption of the contractual relationship between the company and the director.**

Indicate also the contributions made on behalf of any directors to defined-contribution pension schemes; or the increase in directors' vested rights when the contributions are made to defined-benefit schemes.

<b>Explain the long-term saving schemes</b>
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No contributions have been made to any pension funds or schemes for former or existing members of the Board of Directors (neither the directors as such nor the executive directors for the performance of executive duties) and no obligations have been contracted in this respect.

Nor have any contributions been made or obligations contracted for directorships in other Group companies (for the directors as such or the executive directors for the performance of executive duties).

**A.6 State any compensations arranged or paid for termination of directors' duties as such.**

<b>Explain compensations</b>
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No compensations have been arranged or paid for termination of directors' duties (neither the directors as such nor the executive directors for the performance of executive duties).

**A.7 State the terms and conditions to be respected in the contracts of executive directors performing senior management duties. Include information, inter alia, on the term, limits on severance pay and other compensations, continued service clauses, required notice and payment in lieu of notice, and any other clauses relating to golden hellos, as well as golden handshakes, golden parachutes or any other compensation payable on termination of the contractual relationship between the company and the executive director. Include details of any clauses or agreements on restraint of trade, exclusive dedication, minimum employment commitment, loyalty and no competition during and after employment.**

<b>Explain the terms of executive director contracts</b>
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Pursuant to sections 249, 529 octodecies and 529 quidecies of the Corporate Enterprise Act (as amended in Act 31/2014) and Article 22 of the Articles of Association, the Board is competent to establish the terms of contracts to be signed by the company with its executive directors having executive duties, upon recommendation by the Nomination and Remuneration Committee and within the Directors' Remuneration Policy approved by the General Meeting.

The principal terms of contract of the Executive Chairman of the company for his executive duties (apart from the remuneration, which is explained in other sections of this Report) are as follows:

- Term: indefinite
- Notice: three months



- Termination benefits: none
- Continued services or post-contract no competition clauses: none

Although Heralianz Investing Group, S.L. is recognised as an executive director, it has never performed executive or management duties in Ebro Foods, S.A. or any subsidiary of the Group and, therefore, has received no remuneration for such duties. The reasons for its classification as executive director are explained in sections A.4, A.7, C, D.1 and explanatory Note one in section E of this Report.

**A.8 Explain any supplemental remuneration paid to directors for services rendered in addition to those inherent in their directorship.**

**Explain supplemental remuneration**

No supplemental remuneration is earned by directors (neither the directors as such nor the executive directors for the performance of executive duties) for services rendered in addition to those inherent in their directorship or the performance of executive duties.

**A.9 Inform on any remuneration paid in the form of advances, loans and guarantees, indicating the interest rate, principal terms and conditions and any amounts that have been repaid, as well as any collateral obligations.**

**Explain advances, loans and guarantees given**

The Company has not granted any loans or advances to members of the Board (neither the directors as such nor the executive directors for the performance of executive duties), or contracted any obligations on their behalf through guarantees or bonds.

**A.10 Outline the main features of remuneration in kind.**

**Explain remuneration in kind**

The Chairman of the Board, as executive director performing executive duties, receives remuneration in kind to the extent of private use made of the company car allocated to him. The value of his remuneration in kind for 2017 (12,384.59 euros) is included within the fixed remuneration of the executive director indicated elsewhere in this Report.

In addition, the Company has a Flexible Remuneration System, through which it is possible to design the composition of remuneration of the executives included in the System (including the Chairman of the Board), so that they may receive part of that remuneration in the form of products and services previously selected by the Company, the amount of which is discounted from the executive's gross salary, who is instead allocated the corresponding income in kind. Among these products and services are included a collective medical insurance, housing rental, nursery, vehicle hire/lease and training of the employee.

These items do not entail additional remuneration to that received in cash, since the amounts paid by the Company to the corresponding service providers are deducted from the executive's salary.

**A.11 Indicate the remuneration accrued by the director by virtue of payments made by the listed company to a third party in which the director works, when such payments are intended to remunerate the director's services to the company.**

**Explain remuneration accrued by the director by virtue of payments made by the listed company to a third party in which the director works**

No payments of this nature have been made.

- A.12 Indicate any item of remuneration other than those listed above, of whatever nature and provenance within the group, especially when it is considered a related party transaction or when it may distort the true and fair view of the total remuneration accrued by the director.

<b>Explain the other remuneration items</b>
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There are no remunerations other than those listed above, without prejudice to explanatory Note four in section E of this Report regarding the fees received by the executive Chairman for his directorships in the Company's subsidiaries.

- A.13 Explain the actions taken by the company regarding the remuneration system in order to reduce exposure to excessive risk and align it with the long-term goals, values, and interests of the company, including any reference to measures provided to ensure that the remuneration policy takes into account the long-term results of the company, measures establishing an appropriate balance between the non-variable and variable components of remuneration, measures adopted with respect to those categories of personnel whose professional activities have a significant impact on the company's risk profile, recovery formulas or clauses for clawback of bonuses based on performance based on data which subsequently proves to be manifestly misstated, and measures taken to avoid conflicts of interest, where necessary.

<b>Explain measures taken to reduce risks</b>
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The current Deferred Annual Variable Remuneration System (linked to the Strategic Plan 2016-2018) described in section A.4 links the payment of bonuses to the meeting of targets set each year and the beneficiary's continued employment in the Group at the date of payment established for those incentives, except in cases of (i) death or disability of the beneficiary or (ii) takeover in the Group or a similar corporate operation or any other extraordinary circumstance which may, in the board's opinion, materially affect the System.

The general conditions of the System include an adjustment clause whereby the Board of Directors of Ebro Foods, S.A. will adopt such resolutions as may be necessary to ensure that in any event or corporate operation or other extraordinary circumstances that might affect the calculation of deferred remuneration payable, the gross remuneration will be equivalent to the remuneration that would have been payable had that circumstance not existed.

The System also includes a clawback clause whereby the Board of Directors of Ebro Foods, S.A. may require directors to repay all or part of any deferred bonus paid under the System when it considers such amounts to have been unduly paid, either because the amounts paid under the System do not correspond to the degree of fulfilment of the required targets, or because they were calculated on the basis of data subsequently proved to be misstated.

Finally, as indicated earlier, the System is structured in such a way that the deferred annual bonus corresponding to any of the years within the Strategic Plan 2016-2018 will be paid 11 months after being determined (after checking the degree of fulfilment of the targets), so by the time they are paid, a reasonable time will have passed, enabling greater certainty as to the accuracy of the financial information used to calculate the bonus.

## **B REMUNERATION POLICY FOR FUTURE YEARS**

Repealed

## **C OVERALL SUMMARY OF APPLICATION OF THE REMUNERATION POLICY DURING THE REPORTING PERIOD**

C.1 Give a brief description of the main features of the structure and pay items of the remuneration policy applied during the reporting period, indicating the individual remuneration accrued by each of the directors listed in section D of this report, and a summary of the decisions adopted by the board for application of those items.

<b>Describe the structure and pay items of the remuneration policy applied during the year</b>
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a) Remuneration of directors as such:

The annual fixed allocation to the directors for their statutory share in the profits in 2017 was:

- members of the Board, a total sum of 1,909,846.84 euros
- members of the Board Committees, a total sum of 818,206.35 euros

Attendance fees for meetings of the Board of Directors of Ebro Foods, S.A. and Committees amounted to 272,000 euros.

This notwithstanding, both the total amount of the share in the profits and the sums payable as attendance fees are subject to approval at the Annual General Meeting 2018.

The total sum to be received by the Board members in 2017 as their statutory share in profits is equal to that paid in 2016. Nor was there any change in respect of previous years in attendance fees.

b) Remuneration of the Chairman of the Board as executive director for performance of his executive duties:

The sums received by the Chairman of the Board in 2017 for his executive duties were, in accordance with his contract, as follows:

- Fixed remuneration: 1,027,384.59 euros
- Annual variable remuneration: 1,015,985.00 euros
- Deferred annual variable remuneration: 484,675 euros corresponding to 2015 and paid in 2017
- Termination benefits: none were paid during the period and none are anticipated in the foreseeable future.

See section E, explanatory Note four, for the attendance fees received in 2017 by the Chairman of the Board as member of the Board of a subsidiary in the Ebro Foods Group (quantified in section D.1) and in an associate company.

The Board of Directors approved the above items and amounts assigned to them upon proposal by the Nomination and Remuneration Committee.

It should be remembered that although Herculanz Investing Group, S.L. is recognised as an executive director, it has never performed executive or management duties in Ebro Foods, S.A. or any subsidiary of the Group and, therefore, has received no remuneration for such duties. The reasons for its classification as executive director are explained in sections A.4, A.7, C, D.1 and explanatory Note one in section E of this Report.

## D INDIVIDUAL REMUNERATION ACCRUED BY EACH DIRECTOR

Name	Type	Accrual period 2017
AUGUST OETKER	Proprietary	From 01/01/2017 to 01/06/2017
JOSÉ ANTONIO SEGURADO GARCÍA	Independent	From 01/01/2017 to 16/02/2017
ANTONIO HERNÁNDEZ CALLEJAS	Executive	From 01/01/2017 to 31/12/2017
DEMETRIO CARCELLER ARCE	Proprietary	From 01/01/2017 to 31/12/2017
ALIMENTOS Y ACEITES, S.A.	Proprietary	From 01/01/2017 to 31/12/2017
BELÉN BARREIRO PÉREZ-PARDO	Independent	From 25/01/2017 to 31/12/2017
FERNANDO CASTELLÓ CLEMENTE	Independent	From 01/01/2017 to 31/12/2017
JOSE IGNACIO COMENGE SÁNCHEZ-REAL	Independent	From 01/01/2017 to 31/12/2017
CORPORACIÓN ECONÓMICA DELTA, S.A.	Proprietary	From 28/06/2017 to 31/12/2017
MERCEDES COSTA GARCÍA	Independent	From 01/01/2017 to 31/12/2017
EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.	Proprietary	From 01/01/2017 to 31/12/2017
JAVIER FERNÁNDEZ ALONSO	Proprietary	From 25/01/2017 to 31/12/2017
GRUPO TRADIFÍN, S.L.	Proprietary	From 01/01/2017 to 31/12/2017
HERCALIANZ INVESTING GROUP, S.L.	Executive	From 01/01/2017 to 31/12/2017

D.1 Complete the following tables regarding the individualised remuneration of each of the directors (including the remuneration for the financial year for executive duties) accrued during the financial year.

**a) Remuneration accrued in the reporting company:**

**i) Remuneration in cash (thousand euros)**

Name	Salaries	Fixed remuneration	Attendance fees	Short-term variable remuneration	Long-term variable remuneration	Remuneration as members of Board Committees	Termination benefits	Other items	Total 2017	Total 2016
ANTONIO HERNÁNDEZ CALLEJAS	1,027	279	23	1,016	485	168	0	0	2,998	3,093
DEMETRIO CARCELLER ARCE	0	210	30	0	0	201	0	0	441	410
ALIMENTOS Y ACEITES, S.A.	0	140	18	0	0	0	0	0	158	144
BELÉN BARREIRO PÉREZ-PARDO		140	22	0	0	34	0	0	196	0
FERNANDO CASTELLÓ CLEMENTE	0	140	29	0	0	42	0	0	211	230
JOSE IGNACIO COMENGE SÁNCHEZ-REAL	0	140	22	0	0	38	0	0	200	196
CORPORACIÓN ECONÓMICA DELTA, S.A.	0	82	10	0	0	0	0	0	92	0
MERCEDES COSTA GARCÍA	0	140	22	0	0	41	0	0	203	90
EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.	0	140	14	0	0	0	0	0	154	146
JAVIER FERNÁNDEZ ALONSO	0	140	22	0	0	167	0	0	329	0
GRUPO TRADIFÍN, S.L.	0	140	29	0	0	67	0	0	236	13
HERCALIANZ INVESTING GROUP, S.L.	0	140	18	0	0	28	0	0	186	13
AUGUST OETKER	0	58	8	0	0	0	0	0	66	146
JOSÉ ANTONIO SEGURADO GARCÍA	0	23	5	0	0	30	0	0	58	317

**ii) Share-based remuneration schemes**

**iii) Long-term saving schemes**

**b) Remuneration accrued by company directors for directorships in other group companies:**

**i) Remuneration in cash (thousand euros)**

Name	Salaries	Fixed remuneration	Attendance fees	Short-term variable remuneration	Long-term variable remuneration	Remuneration as members of Board Committees	Termination benefits	Other items	Total 2016	Total 2015
ANTONIO HERNÁNDEZ CALLEJAS	0	0	5	0	0	0	0	0	5	5

**ii) Share-based remuneration schemes**

**iii) Long-term saving schemes**

**c) Summary of remunerations (thousand euros):**

This should include a summary of the amounts of all the remuneration items contemplated in this report accrued by directors, in thousand euros.

In the case of long-term saving schemes, indicate the contributions or allocations made:

Name	Remuneration accrued in the company				Remuneration accrued in group companies				Total		
	Total cash remuneration	Amount of shares awarded	Gross gain on the options exercised	Total 2017 company	Total cash remuneration	Amount of shares delivered	Gross gain on the options exercised	Total 2017 group	Total 2017	Total 2016	Contribution to saving schemes during the year
ANTONIO HERNÁNDEZ CALLEJAS	2,998	0	0	2,998	5	0	0	5	3,003	3,098	0
DEMETRIO CARCELLER ARCE	441	0	0	441	0	0	0	0	441	410	0
ALIMENTOS Y ACEITES, S.A.	158	0	0	158	0	0	0	0	158	144	0
BELÉN BARREIRO PÉREZ-PARDO	196	0	0	196	0	0	0	0	196	0	0
FERNANDO CASTELLÓ CLEMENTE	211	0	0	211	0	0	0	0	211	230	0
JOSE IGNACIO COMENGE SÁNCHEZ-REAL	200	0	0	200	0	0	0	0	200	196	0
CORPORACIÓN ECONÓMICA DELTA, S.A.	92	0	0	92	0	0	0	0	92	0	0
MERCEDES COSTA GARCÍA	203	0	0	203	0	0	0	0	203	90	0
EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.	154	0	0	154	0	0	0	0	154	146	0
JAVIER FERNÁNDEZ ALONSO	329	0	0	329	0	0	0	0	329	0	0
GRUPO TRADIFÍN, S.L.	236	0	0	236	0	0	0	0	236	13	0
HERCALIANZ INVESTING GROUP, S.L.	186	0	0	186	0	0	0	0	186	13	0
AUGUST OETKER	66	0	0	66	0	0	0	0	66	146	0
JOSÉ ANTONIO SEGURADO GARCÍA	58			58	0	0	0	0	58	317	0
<b>TOTAL</b>	<b>5,528</b>	<b>0</b>	<b>0</b>	<b>5,528</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>5,533</b>	<b>4,803</b>	<b>0</b>

**D.2 Describe the relationship between the remuneration received by the directors and the company's earnings or other performance indicators, explaining how any variations in the company's performance may have had a bearing on the variation in directors' remuneration.**

As explained elsewhere in this Report, the directors' remunerations for their duties as such are linked to the Group's results (since the maximum share in profits stipulated in the articles is linked to the consolidated earnings of the Group). Similarly, the annual variable remuneration (both ordinary and deferred) of the Chairman of the Board as executive director for his executive duties is linked to the development of the Group.

**D.3 Report the outcome of the advisory vote at the annual meeting on the annual remuneration report for the previous year, indicating the number of votes against, if any:**

	<b>Number</b>	<b>% of total votes</b>
<b>Votes cast</b>	119,174,527	100.00%

	<b>Number</b>	<b>% of total votes</b>
<b>Votes against</b>	31,939,941	26.80%
<b>Votes for</b>	87,230,658	73.20%
<b>Abstentions</b>	3,928	0.00%

## **E OTHER INFORMATION OF INTEREST**

If there are any material aspects relating to directors' remuneration that could not be disclosed in other sections of this report but that are necessary to provide a more comprehensive and fully reasoned picture of the remuneration structure and practices for the company's directors, describe them briefly.

### **EXPLANATORY NOTE ONE ON SECTIONS A.3, A.4, A.7, C AND D.1 OF THIS REPORT**

As mentioned in sections A.3, A.4, A.7, C and D.1 of this Report, although Heralianz Investing Group, S.L. is classified as an executive director, it has never performed executive duties in Ebro Foods, S.A. or any subsidiary of the Group and, therefore, has received no remuneration for such duties.

Heralianz Investing Group, S.L. is classified as an executive director because the person representing it on the Board of Directors of Ebro Foods, S.A. is an executive of one of the Group's subsidiaries.

### **EXPLANATORY NOTE TWO ON SECTION A.1**

Article 22 of the Articles of Association mentioned in section A.1 of this report is transcribed below:

"Article 22: Directors' emoluments

Remuneration of the Board members for their duties as such shall consist each year in a share of up to two and a half per cent (2.5%) of the consolidated profits attributable to the company, although this sum may only be taken from the company's net profit and after setting aside such sums as may be necessary to meet the legal reserve requirements, fund any reserves that may be established in the articles of association, pay shareholders the minimum dividend established in prevailing legislation and meeting all and any other priority assignments required by law. The general meeting shall determine the percentage applicable within the maximum established in this article. The board shall distribute the aforesaid sum among its members each year.



The directors will also be entitled to a fee for attending meetings of the governance bodies of the company, the amount of which will be established every year by the general meeting.

The maximum amount of the annual remuneration for all the directors as such shall be approved by the general meeting and shall be maintained until a modification is approved.

The directors' emoluments shall in any case be reasonably aligned with the importance of the company, its economic situation from time to time and the market standards of comparable companies. The remuneration system established shall focus on promoting the long-term yield and sustainability of the company and shall contemplate such precautions as may be necessary to avoid excessive exposure to risk or rewarding unfavourable results.

The remuneration policy for directors shall comply with all applicable provisions in the articles of association on the remuneration system and shall be approved by the general meeting at least every three years as a separate item on the agenda.

Directors with executive duties in the company shall, regardless of the nature of their legal relationship with the latter, be entitled to remuneration for the performance of such duties on the terms established by the board of directors in accordance with the remuneration policy for directors in place from time to time. The relationship between the company and its executive directors shall be set down in a contract, which must be approved by the Board in the manner and with the majorities stipulated in law.

In addition and independently of the emoluments contemplated in the preceding paragraphs, directors may receive remuneration in the form of shares, stock options or any other system of remuneration indexed to the price of the shares of the company or any other companies in its group although the use of those remuneration systems shall be decided by the general meeting in the form, terms and conditions stipulated in law.

If executive directors waive the share in the profits to which they are entitled for their duties as directors, the sums that would correspond to them as a share in the company's profits will not be distributed among the remaining directors."

Similarly, Article 41 of the Regulations of the Board mentioned in section A.1 of this report is transcribed below:

"Article 41: Directors' emoluments

41.1. Remuneration of the Board members for their duties as such shall consist each year in a share of up to two and a half per cent (2.5%) of the consolidated profits attributable to the company. This sum may only be taken from the company's net profit and after setting aside such sums as may be necessary to meet the legal reserve requirements, fund any reserves that may be established in the articles of association, pay shareholders the minimum dividend established in prevailing legislation and meet all and any other priority assignments required by law. The general meeting shall determine the percentage applicable within the maximum established in this article. The board shall distribute the aforesaid sum among its members each year.

41.2. Directors will also be entitled to a fee for attending meetings of the governance bodies of the company, the amount of which will be established every year by the general meeting.

41.3. The maximum amount of the annual remuneration for all the directors as such shall be approved by the general meeting and maintained until a modification is approved.

41.4. The directors' emoluments shall in any case be reasonably aligned with the importance of the company, its economic situation from time to time and the market standards of comparable companies. The remuneration system established shall focus on promoting the long-term yield and sustainability of the company and shall contemplate such precautions as may be necessary to avoid excessive exposure to risk or rewarding unfavourable results.

41.5. The remuneration policy for directors shall comply with all applicable provisions in the Articles of Association on the remuneration system and shall be approved by the general meeting at least every three years as a separate item on the agenda.

41.6. Regardless of their legal relationship, directors with executive duties in the company will be entitled to remuneration for the performance of those duties on the terms established by the board of directors in accordance with the remuneration policy for directors in place from time to time. The relationship between the company and its executive directors shall be set down in a contract, which must be approved by the Board in the manner and with the majorities stipulated in law.

41.7. In addition and independently of the emoluments contemplated in the preceding paragraphs, directors may receive remuneration in the form of shares, stock options or any other system of remuneration indexed to the price of the shares of the company or any other companies in its group although the use of those

remuneration systems shall be decided by the general meeting in the form, terms and conditions stipulated in law.

41.8. If executive directors waive the share in the profits to which they are entitled for their duties as directors, the sums that would correspond to them as a share in the company's profits will not be distributed among the remaining directors."

**EXPLANATORY NOTE THREE ON SECTION A.4**

The annual variable remuneration of the executive Chairman for performance of his executive duties, described in section A.4, accrues according to the following rules:

(i) If the targets are fully met (100%), an annual variable remuneration equivalent to 100% of the fixed remuneration is paid.

(ii) If the targets are exceeded, the annual variable remuneration may be increased to no more than 150% of the fixed remuneration. So if targets are met in a proportion of over 100%, the ordinary annual variable remuneration will be increased in the same proportion up to a ceiling of 150% of the fixed annual remuneration.

(iii) If the targets are not met, the annual variable remuneration will be reduced in proportion to the percentage fulfilment (under 100%) achieved, with a floor of 85%, no ordinary annual variable remuneration accruing at or below that percentage fulfilment.

(iv) As an exception considering special dedication by the executive Chairman in the performance of his executive duties and a temporary situation in the company or group, the board may, upon recommendation by the Nomination and Remuneration Committee, decide to raise the variable remuneration of the executive Chairman to the maximum limit established for his fixed remuneration.

**EXPLANATORY NOTE FOUR ON SECTIONS C.1 AND D**

The sum of attendance fees 2017 corresponding to Antonio Hernández Callejas indicated in section D.1, b) and c) include those received as director of Pastificio Lucio Garofalo, S.p.A. (company in the Ebro Foods Group) in a sum of 5,000 euros.

In 2017, the Chairman of the Board also received 5,200 euros in attendance fees from the associate Riso Scotti, S.p.A., in which Ebro Foods, S.A. has a 40% interest.

See explanatory Note one above regarding Heralianz Investing Group, S.L.

This annual remuneration report was approved by the board of directors of the company at its meeting of 21/03/2018.

State whether any directors voted against or abstained in connection with the approval of this Report.

Yes  No

Name of board member(s) who did not vote for approval of this report	Reasons (against, abstention, non-attendance)	Explain the reasons
ALIMENTOS Y ACEITES, S.A.	Abstention	Concepción Ordiz Fuentes, representing the corporate director Alimentos y Aceites, S.A., abstained from voting on this report, declaring that the Board of Directors of SEPI (controlling shareholder of Alimentos y Aceites, S.A.) decided on the vote of SEPI as shareholder of Ebro Foods, S.A.

**The English version of this document is purely informative.  
In the event of any discrepancy between the Spanish and English versions of this document, the Spanish version will prevail.**