

**REPORT BY THE BOARD SUPPORTING THE PROPOSAL SUBMITTED BY THE NOMINATION AND REMUNERATION COMMITTEE FOR APPOINTMENT BY COOPTATION, RE-ELECTION AND APPOINTMENT OF MERCEDES COSTA GARCÍA AS INDEPENDENT DIRECTOR**

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**1. Introduction**

On 27 July 2017, the board of directors of Ebro Foods, S.A. resolved to appoint Mercedes Costa García by cooptation as independent non-executive director to fill the vacancy produced by the resignation tendered with effect as of 1 December 2014 by Sol Daurella Comadrán, who had been appointed for a term of four years ending 4 June 2018.

The appointment of Ms Costa García was approved upon recommendation by the Nomination and Remuneration Committee and in view of the reports submitted by that Committee and the Board of Directors, pursuant to section 529 decies, paragraphs 4 and 5 of the Corporate Enterprises Act.

The proposal for her appointment agreed by the Nomination and Remuneration Committee and the reports by that Committee and the Board of Directors were appended to the minutes of that board meeting.

The appointment by cooptation of Mercedes Costa García as independent director was entered in the company's page of the trade register (M-271855) on 21 October 2016, entry no. 119.

The first general meeting of shareholders following the appointment by cooptation of Mercedes Costa García as director being the AGM scheduled for 31 May 2017 on first call, and 1 June 2017 on second call, the Nomination and Remuneration Committee has proposed to the Board that a motion be tabled at the forthcoming AGM for ratification of the appointment by cooptation and re-election of Ms Costa García as independent director for the statutory term of four years. That proposal, which includes the report and assessment by the Nomination and Remuneration Committee, is appended in **Annex 1** hereto.

The proposal submitted by the Nomination and Remuneration Committee contains the report contemplated in Article 25.4(a) of the Regulations of the Board and the analysis of the composition and present needs of the Board, in accordance with the company's Policy for Selecting Directors.

The curriculum of Mercedes Costa García, provided by the Nomination and Remuneration Committee, is also appended hereto, in **Annex 2**.

The text of the proposed resolution submitted by the Board to the General Meeting for ratification of the appointment by cooptation and the re-election and appointment of Mercedes Costa García as independent director for the statutory term of four years is appended in **Annex 3** hereto.

This report and the annexes hereto will be made available to shareholders through their publication on the corporate website [www.ebrofoods.es](http://www.ebrofoods.es), coinciding with the publication of the notice of call to the forthcoming Annual General Meeting 2017. They will also be incorporated in the minutes of the corresponding board and general meetings.

## **2. Legal and regulatory aspects**

### 2.1. Category of independent director

Pursuant to the Corporate Enterprises Act, section 529. duodecies.4, independent directors are those appointed by virtue of their personal and professional qualities who can perform their duties as directors without being conditioned by relationships with the Company or its Group, its significant shareholders or its executives. They may not be included in any of the exclusions established in that section.

### 2.2. Ratification, re-election and appointment by the general meeting of an independent director

Pursuant to the Corporate Enterprises Act, section 529 decies, the Board members of a listed company must be appointed by the General Meeting of Shareholders.

That section 529 decies also establishes, in paragraphs 4 and 5, that the Nomination and Remuneration Committee is competent to propose the appointment of independent directors, which proposal must necessarily be accompanied by a supporting report by the Board assessing the competence, experience and merits of the proposed candidate. That report must be appended to the minutes of the general meeting or board meeting, as the case may be.

Similarly, Article 25.4(a) of the Regulations of the Board provides that the Nomination and Remuneration Committee shall inform always prior to the submission to the General Meeting of any proposal regarding the appointment of Directors.

Article 20 of the company's Articles of Association sets the term of directors' appointment at four years, after which they will be eligible for re-appointment on one or several occasions for terms of an equal duration.

## **3. Justification of the appointment: assessment of the competence, experience and merits of the proposed candidate**

After studying the professional curriculum provided by the Nomination and Remuneration Committee for the candidate Mercedes Costa García, we highlight her excellent academic qualifications and extensive professional experience as commercial lawyer, lecturer and researcher.

Ms Costa García has a BA in Law from the Central University of Barcelona and Master in Legal Counselling from the IE Business Institute, Madrid, where she has been lecturing since 1989.

Within her career, Mercedes Costa García developed her professional experience for nine years in the commercial department of the law firm José M. Armero y Cía, S.R.C.

As regards her teaching and research work, (i) she is Manager of the Negotiation and Mediation Centre and lecturer in negotiation on the Master Programmes, Advanced Courses and Executive Education Programmes at IE Business School in Madrid, both on-site and online. She is also Manager of the Negotiation Forum (*Negocia Foro*) and member of the Good Governance Centre of the IE Business School; and (ii) her research work focuses on study and investigation of the entire negotiation process with a view to developing and sharing a practical negotiation method, which she uses in her teaching.

In accordance with (i) the company's Policy for Selecting Directors, (ii) Article 32.2 of the Regulations of the Board and (iii) Recommendation 25 of the Good Governance Code for Listed Companies, Mercedes Costa García has informed the company that she has enough availability to be able to correctly perform her duties and does not sit on any other boards of directors.

#### **4. Conclusion**

In view of the foregoing, the Board considers that:

- 4.1. the proposal submitted by the Nomination and Remuneration Committee complies with the requirements established by the Corporate Enterprises Act, the Articles of Association and the Regulations of the Board, and with the principles established in the company's Policy for Selecting Directors;
- 4.2. the legal requirements for ratification of appointments of directors by cooptation are met, since the vacant position on the board that Mercedes Costa García was appointed to fill had a term of four years, i.e. up to 4 June 2018;
- 4.3. in view of the need to secure a stable composition of the Board, apart from ratifying the appointment by cooptation indicated above, it is in the Board's interests to re-elect and appoint Mercedes Costa García director for the statutory term of four years;
- 4.4. Mercedes Costa García has the necessary qualifications and professional expertise required for the position taking account of the Board's needs, and is sufficiently available to guarantee due performance of her duties;
- 4.5. the appointment of Mercedes Costa García as an independent director is in keeping with the principles behind the company's Policy for Selecting Directors. In particular, apart from enhancing the diversity of expertise and experience of the Board, her appointment (i) favours gender diversity within the goal of women (the gender least represented on the Board) representing at least thirty per cent of the total Board members by 2020, and (ii) raises the number of independent directors, in line with the good governance recommendations.

In short, the Board considers Mercedes Costa García suitable for appointment as an independent director of the company.

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Madrid, 17 April 2017

Annexes:

- Annex 1. Proposed appointment submitted by the Nomination and Remuneration Committee
- Annex 2. Curriculum of Mercedes Costa García
- Annex 3. Proposed resolution to be submitted by the Board to the General Meeting of Shareholders.

**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.**

## Annex 1

### Proposal submitted by the Nomination and Remuneration Committee

#### **MOTION FOR RATIFICATION OF THE APPOINTMENT BY COOPTATION, RE-ELECTION AND APPOINTMENT OF MERCEDES COSTA GARCÍA AS INDEPENDENT DIRECTOR, TABLED BY THE NOMINATION AND REMUNERATION COMMITTEE OF EBRO FOODS, S.A.**

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##### **1. Introduction**

The Nomination and Remuneration Committee of Ebro Foods, S.A. (the “**Company**” or “**Ebro**”) resolved on 27 July 2016 to submit a proposal to the Board of Directors for the appointment by cooptation of Mercedes Costa García as independent non-executive director to fill the vacancy produced by the resignation with effect as of 1 December 2014 of Sol Daurella Comadrán, who had been appointed for a term of 4 years ending 4 June 2018.

The proposed appointment of Ms Costa García was approved by the Board on the same day, 27 July 2016, based on reports by the Nomination and Remuneration Committee and the Board, issued pursuant to section 529 decies, paragraphs 4 and 5, of the Corporate Enterprises Act and Article 25.4(a) of the Regulations of the Board.

Considering that the first general meeting of shareholders to be held after the appointment of Mercedes Costa García by cooptation was to be held on 31 May 2017 on first call, or on 1 June 2017 on second call, the Nomination and Remuneration Committee proposed that the Board table a motion at the Annual General Meeting (AGM) for ratification of the appointment by cooptation of Ms Costa García and her re-election and appointment as independent director for the statutory term of four years.

This proposal by the Nomination and Remuneration Committee contains the report required pursuant to Article 25.4(a) of the Regulations of the Board, which provides that said committee shall inform always prior to the submission to the General Meeting of any proposal regarding the appointment of Directors.

##### **2. Analysis of the composition and present needs of the Board**

The Nomination and Remuneration Committee analyses the composition and present needs of the Board, in accordance with the Company’s Policy for Selecting Directors.

At the date of the last AGM, on 1 June 2016, the Board was made up of twelve members of a total of thirteen, two of whom were classified as executive directors, six as proprietary directors, three as independent directors and one as an “other non-executive director”. Two of the board members had been women.

The changes produced within the Board from 1 June 2016 to the date of this report are summarised below:

- Appointment by cooptation of Mercedes Costa García as independent director on 27 July 2016 to fill the vacancy produced by the resignation with effect as of 1 December 2014 of the independent director Sol Daurella Comadrán, who had been appointed for a term of 4 years ending 4 June 2018.
- Appointment by cooptation of Grupo Tradifín, S.L. (represented by Blanca Hernández Rodríguez) as proprietary director on 21 December 2016 to fill the vacancy produced by the resignation tendered on the same day by the proprietary director Hispafoods Invest, S.L. (also represented by Ms Hernández Rodríguez), which had been appointed for a term of 4 years ending 4 June 2018.
- Appointment by cooptation of Herculianz Investing Group, S.L. (represented by Félix Hernández Callejas) as executive director on 21 December 2016 to fill the vacancy produced by the resignation tendered on the same day by the executive director Instituto Hispánico del Arroz, S.A. (also represented by Mr Hernández Callejas), which had been appointed for a term of 4 years ending 4 June 2018.
- Appointment by cooptation of Belén Barreiro Pérez-Pardo as independent director on 25 January 2017 to fill the vacancy produced by the resignation tendered with effect as of 31 December 2016, by the “other non-executive” director Eugenio Ruiz Gálvez-Priego, who had been appointed for a term of 4 years ending 4 June 2018.
- Appointment by cooptation of Javier Fernández Alonso as proprietary director on 25 January 2017 to fill the vacancy produced by the resignation tendered with effect as of 31 December 2016, by the proprietary director José Nieto de la Cierva, who had been appointed for a term of 4 years ending 4 June 2018.
- Vacancy produced by the death of an independent director on 16 February 2017.

The Company is considering the appointment of a new independent director to fill the vacancy produced in February 2017. To allow the vacancy to be filled by cooptation once the Nomination and Remuneration Committee has submits a candidate independent director to the Board, the Board plans to table a motion at the forthcoming AGM to maintain the number of Board members at thirteen, as agreed at the AGM held on 1 June 2016.

Once the vacancy produced in February 2017 has been filled, it will have thirteen members: two executive directors, six proprietary directors and five independent directors (hence 38.46% of the board members would be independent directors). If the new independent director is a woman, the number of female directors will rise from four to five, accounting for 38.46% of the Board members. Otherwise, it will remain at four (30.76% of the Board, thus over the 30% target set for 2020 in the Company Policy for Selecting Directors).

The Nomination and Remuneration Committee considers that with this composition the Board will have an adequate level of stability and balance and, therefore, with a view to the forthcoming AGM scheduled for 31 May 2017 on first call and 1 June 2017 on second, it has decided (i) to recommend and, in the case of non-independent directors, issue a favourable report to the Board, ratification of all the aforesaid appointments by cooptation and the re-election and appointment of them all as directors for the statutory term of four years; and (ii) issue a favourable report on the Board's motion at the AGM to keep the number of Board members at thirteen, as agreed at the AGM on 1 June 2016.

The Nomination and Remuneration Committee has also taken into account that all the directors have been appointed considering their expertise, skills, professional experience, availability and suitability to be adequate for the performance of their duties.

In view of the different professional profiles of the directors (all specialists in very different, but complementary, sectors, such as economic, financial, legal, industrial, consumer markets, beverages, rice and pasta) and the thorough knowledge some of them have of the Group overall, the Nomination and Remuneration Committee considers that the composition of the Board has an adequate diversity of professional experience and expertise to suit the interests of the Company and the Group.

### **3. Motion tabled by the Nomination and Remuneration Committee**

The Nomination and Remuneration Committee submits to the Board, to be tabled at the AGM scheduled for 31 May 2017 on first call and 1 June 2017 on second call, a motion to ratify the appointment by cooptation of Mercedes Costa García as director, as resolved by the Board on 27 July 2016, and re-elect and appoint her as independent director for the statutory term of four years.

### **4. Assessment of the candidate to report to the Board**

Pursuant to Article 25.4(a) of the Regulations of the Board, the Nomination and Remuneration Committee must inform always prior to the submission to the General Meeting of any proposal regarding the appointment of Directors.

In view of the foregoing, the motion for ratification, re-election and appointment set out above is made on the grounds of the assessed suitability of the candidate. In this regard, the proposal and favourable report by the Nomination and Remuneration Committee are based on the following considerations:

- a) compliance with the applicable legal requirements for ratification of the appointment by cooptation of the director, it being convenient to keep Mercedes Costa García on the Board in order to maintain an adequate level of stability and balance in the composition of this body;
- b) ratification of the appointment by cooptation of Mercedes Costa García as independent director complies with the necessary requirements of the law, articles

and regulations, since the vacant position on the board that she was appointed to fill had a term of four years, i.e. up to 4 June 2018;

- c) ratification of the appointment by cooptation, re-election and appointment of Ms Costa García as independent director for the statutory term of four years is in keeping with the principles established in the Company Policy for Selecting Directors;
- d) the academic qualifications and professional experience of Mercedes Costa García, particularly as commercial lawyer, lecturer and researcher, which expands the Board's diversity of knowledge;
- e) the category of independent director that the candidate holds and the fact that her appointment is in line with the target set in the Policy for Selecting Directors to increase the presence of women as the gender least represented on the Board; and
- f) the fact that Ms Costa García has enough time to guarantee adequate performance of her duties.

The Nomination and Remuneration Committee appends the professional curriculum of the candidate to this proposal and report, submitted to the Board of Directors to be laid before the shareholders at the Annual General Meeting.

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Madrid, 26 April 2017

**Annex 2**

**Curriculum of Mercedes Costa García**

Mercedes Costa García

(Lleida, 29 September, 1964)

BA in Law from the Central University of Barcelona and Master in Legal Counselling from the IE Business Institute, Madrid, where she has been lecturing since 1989.

She completed her academic qualifications at IE Law School in Madrid, Harvard Law School in Cambridge, Massachusetts and at IE University of Segovia.

She worked for nine years in the commercial department of the law firm José M. Armero y Cía, S.R.C.

Within her teaching career, she is Manager of the Negotiation and Mediation Centre and lecturer in negotiation on the Master Programmes, Advanced Courses and Executive Education Programmes at IE Business School in Madrid, both on-site and online. She is also Manager of the Negotiation Forum (*Negocia Foro*) and member of the Good Governance Centre of the IE Business School.

Her research work focuses on study and investigation of the entire negotiation process with a view to developing and sharing a practical negotiation method, which she uses in her teaching. She has written several manuals on the subject and has numerous working papers, technical papers and bargaining and negotiation cases.

She speaks English and French.

**Annex 3**

**Proposed resolution submitted to the AGM**

*“Ratification of the appointment by cooptation and re-election of Mercedes Costa García, as independent director*

To ratify the appointment by cooptation of Mercedes Costa García as director, made by the board on 27 July 2016, and re-elect and appoint her director of the company for the statutory term of four years. Mercedes Costa García is classified as an independent director.”