



**01**

**ANNUAL CORPORATE GOVERNANCE REPORT**

## ANNEX 1

### ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

#### DETAILS OF ISSUER

<b>YEAR ENDED</b>	31/12/2015
<b>TAX REGISTRATION NUMBER</b>	A47412333
<b>NAME</b>	EBRO FOODS, S.A.
<b>REGISTERED OFFICE</b>	PASEO DE LA CASTELLANA 20, PLANTAS 3ª Y 4ª, MADRID

# ANNUAL CORPORATE GOVERNANCE REPORT 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 (%)
JUAN LUIS GÓMEZ-TRENOR FOS	0	10,924,443	7.10%
SOCIEDAD ANÓNIMA DAMM	0	15,426,438	10.03%
CORPORACIÓN FINANCIERA ALBA, S.A.	0	15,400,000	10.01%
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
JUAN LUIS GÓMEZ-TRENOR FOS	EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.	10,924,443
SOCIEDAD ANÓNIMA DAMM	CORPORACIÓN ECONÓMICA DAMM, S.A.	15,426,438
CORPORACIÓN FINANCIERA ALBA, S.A.	ALBA PARTICIPACIONES, S.A.	15,400,000
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 directors with voting rights in the company:

Name of director	Number of direct voting rights	Number of indirect voting rights	% of total voting rights held
JOSÉ ANTONIO SEGURADO GARCÍA	3,000	2,000	0.00%
EUGENIO RUIZ-GÁLVEZ PRIEGO	153	0	0.00%
ANTONIO HERNÁNDEZ CALLEJAS	30	8,000	0.01%
FERNANDO CASTELLÓ CLEMENTE	2,307,828	0	1.50%
JOSÉ NIETO DE LA CIERVA	8,969	2,044	0.01%

Name of director	Number of direct voting rights	Number of indirect voting rights	% of total voting rights held
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	3,030	3,289,479	2.14%
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	13,790,336	10,707,282	15.92%
ALIMENTOS Y ACEITES, S.A.	15,940,377	0	10.36%
EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.U.	10,924,443	0	7.10%
HISPAFOODS INVEST, S.L.	10,707,282	0	6.96%

Name of indirect holder of the interest	Through: Name of direct holder of the interest	Number of direct voting rights
JOSÉ ANTONIO SEGURADO GARCÍA	SEGURADO Y GALOBART, S.L.	2,000
ANTONIO HERNÁNDEZ CALLEJAS	ANTONIO HERNÁNDEZ GONZÁLEZ	4,000
ANTONIO HERNÁNDEZ CALLEJAS	LUIS HERNÁNDEZ GONZÁLEZ	4,000
JOSÉ NIETO DE LA CIERVA	Mª MACARENA AGUIRRE GALATAS	2,044
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	LA FUENTE SALADA, S.L.	3,289,479
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	HISPAFOODS INVEST, S.L.	10,707,282

<b>Total % of voting rights held by board members</b>	37.04%
---	--------

Complete the following tables on directors 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
CORPORACIÓN FINANCIERA ALBA, S.A.
ALBA PARTICIPACIONES, S.A.

**Type of relationship:** Corporate

**Brief description:**

Corporación Financiera Alba, S.A. holds a direct interest of 100% in Alba Participaciones, S.A.

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

**Type of relationship:** Corporate

**Brief description:**

Sociedad Anónima Damm holds a direct interest of 99.93% in Corporación Económica Damm, S.A.

Name of related parties
JUAN LUIS GÓMEZ-TRENOR FOS
EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.

**Type of relationship:** Corporate

**Brief description:**

Juan Luis Gómez-Trenor Fos owns 100% of the capital of Empresas Comerciales e Industriales Valencianas, S.A.

Mr Gómez-Trenor Fos is the Sole Director of Empresas Comerciales e Industriales Valencianas, 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 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:** Corporate

**Brief description:**

Herba Ricemills, S.L.U., a subsidiary of the Ebro Foods Group, has sold rice and rice by-products to two subsidiaries of Sociedad Anónima Damm on arm's length terms, as indicated in section D.1 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
----------

- 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**

#### 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 in portfolio, 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 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 at 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, 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>	42.92

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	
04/06/2014	5.29%	65.67%	0.00%	0.00%	70.96%
03/06/2015	28.25%	46.12%	0.00%	0.00%	74.37%

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 Group's policy on communication and relations with shareholders, institutional investors and proxy advisors establishes the corporate website (<http://www.ebrofoods.es/>) as the principal official communication channel between the company and its shareholders and investors.

The corporate website is set up as a vehicle of information, continuously and permanently updated according to the criteria laid down in the Corporate Governance Policy.

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/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-2015/>). There is also a direct link to the General Meeting of this year from the home page (<http://www.ebrofoods.es/>).

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 2016
- 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 accessibility, 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, and the information considered most important is also provided in French, Catalan, Euskera and Galician.

## 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
JOSÉ ANTONIO SEGURADO GARCÍA		Independent	LEAD INDEPENDENT DIRECTOR	29/05/2012	04/06/2014	RESOLUTION PASSED AT AGM
DEMETRIO CARCELLER ARCE		Proprietary	VICE-CHAIRMAN	01/06/2010	04/06/2014	RESOLUTION PASSED AT AGM
EUGENIO RUIZ-GÁLVEZ PRIEGO		Other Non-Executive	DIRECTOR	25/07/2000	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
JOSÉ NIETO DE LA CIERVA		Proprietary	DIRECTOR	29/09/2010	04/06/2014	RESOLUTION PASSED AT AGM
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL		Independent	DIRECTOR	29/05/2012	04/06/2014	RESOLUTION PASSED AT AGM
RUDOLF-AUGUST OETKER		Proprietary	DIRECTOR	01/06/2010	04/06/2014	RESOLUTION PASSED AT AGM
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	FÉLIX HERNÁNDEZ CALLEJAS	Executive	DIRECTOR	01/06/2010	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.	JUAN LUIS GÓMEZ-TRENOR FOS	Proprietary	DIRECTOR	18/12/2013	04/06/2014	RESOLUTION PASSED AT AGM
HISPAFOODS INVEST, S.L.	MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ	Proprietary	DIRECTOR	30/01/2013	04/06/2014	RESOLUTION PASSED AT AGM

<b>Total Number of Directors</b>	12
----------------------------------	----

Indicate any retirements from the board during the reporting period:

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
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	DIRECTOR

<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
JOSÉ NIETO DE LA CIERVA	CORPORACIÓN FINANCIERA ALBA, S.A.
RUDOLF-AUGUST OETKER	SOCIEDAD ANÓNIMA DAMM
ALIMENTOS Y ACEITES, S.A.	SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES
EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.	JUAN LUIS GÓMEZ-TRENOR FOS
HISPAFOODS INVEST, S.L.	INSTITUTO HISPÁNICO DEL ARROZ, S.A.

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

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

**Name of Director**

JOSÉ ANTONIO SEGURADO GARCÍA

**Profile**

Born in Barcelona. Graduate in Law and Economics. Insurance broker and entrepreneur. Chairman of SEFISA, AEF and AEIM. Joint founder of CEIM and CEOE. President of the Liberal Party and MP in the National Government in the III and IV Parliamentary Terms. Member of the Trilateral Commission. Director of Unión y Fénix, Acerinox, J.W.Thompson and Vusa. Currently Chairman of Segurado & Galobart, S.L. and of the Advisory Council of Alkora EBS, Correduría de Seguros, S.A., Honorary Chairman & Founder of CEIM and member of the Management Board of CEOE and on the Advisory Board of Coviran, S.C.A. Grand Cross of the Order of 2 May awarded by the Community of Madrid.

**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**

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 Arbitraje Inversiones S.L.

<b>Total number of independent directors</b>	3
<b>% of board</b>	25.00%

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 his/her own name or as controlling 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 his/her 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:

**Name of Director**

EUGENIO RUIZ-GÁLVEZ PRIEGO

**Company, executive or shareholder with which he has a relationship:**

EBRO FOODS, S.A.

**Reasons:**

Eugenio Ruiz-Gálvez Priego is not a proprietary director because he does not hold a significant interest in the company or represent a significant shareholder; nor can he be considered an independent director since he has been a director of Ebro Foods, S.A. for more than 12 years in succession.

<b>Total number of other non-executive directors</b>	1
<b>% of board</b>	8.33%

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 (%)			
	2015	2014	2013	2012	2015	2014	2013	2012
<b>Executive</b>	0	0	0	0	0.00%	0.00%	0.00%	0.00%
<b>Proprietary</b>	2	2	2	1	28.57%	28.57%	28.57%	16.67%
<b>Independent</b>	0	0	1	1	0.00%	0.00%	25.00%	25.00%

<b>Other non-executive</b>	0	0	0	0	0.00%	0.00%	0.00%	0.00%
<b>Total</b>	2	2	3	2	16.67%	16.67%	23.08%	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**

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, with regard to the balanced presence of women on the board, 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 contemplated 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.

- 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**

There are no specific measures, other than the principles and target indicated in point C.1.5 above.

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

**Explanation of reasons**

The number of female directors was reduced to two following the resignation of one independent director as of 1 December 2014.

That vacancy was not filled, but if and when it is filled, the principles included in the Policy for Selecting Candidates to be Directors, particularly those regarding the balance of genders on the board, will be taken into account.

- 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**

No directors were nominated or re-elected during 2015, so there was no need to apply any of the criteria for selecting candidates contemplated in the Policy for Selecting Directors established in the company. Therefore, the Nomination and Remuneration Committee was not called on to check compliance with that policy during the reporting period.

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

- The directors nominated by Instituto Hispánico del Arroz, S.A. and appointed by the general meeting are Instituto Hispánico del Arroz, S.A., Hispafoods Invest, S.L. (also a significant shareholder of the company) and Antonio Hernández Callejas.

- The director nominated by Sociedad Estatal de Participaciones Industriales and appointed by the general meeting is Alimentos y Aceites, S.A.

- The directors nominated by Sociedad Anónima Damm and appointed by the general meeting are Demetrio Carceller Arce and Dr Rudolf-August Oetker.

- The director nominated by Corporación Financiera Alba, S.A. and appointed by the general meeting is José Nieto de la Cierva.

- The director nominated by Juan Luis Gómez-Trenor Fos and appointed by the general meeting is Empresas Comerciales e Industriales Valencianas, S.L.

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 his/her 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:

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 LIMITED	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	SOS CUETARA USA, INC	CHAIRMAN	YES
ANTONIO HERNÁNDEZ CALLEJAS	NEW WORLD PASTA COMPANY	CHAIRMAN	YES
ANTONIO HERNÁNDEZ CALLEJAS	EBRO AMERICA, INC.	CHAIRMAN	YES
ANTONIO HERNÁNDEZ CALLEJAS	HEAP COMET, LTD	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	RIVIANA FOODS, INC.	CHAIRMAN	YES
ANTONIO HERNÁNDEZ CALLEJAS	AMERICAN RICE, INC.	CHAIRMAN	YES
ANTONIO HERNÁNDEZ CALLEJAS	PASTIFICIO LUCIO GAROFALO, S.P.A.	DIRECTOR	YES

Name of director	Name of Group company	Position	Has executive duties?
ANTONIO HERNÁNDEZ CALLEJAS	N&C BOOST, N.V.	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	BOOST NUTRITION, C.V.	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	BOSTO PANZANI BENILUX, N.V.	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	BLUE RIBBON MILLS, INC.	CHAIRMAN	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

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	GAS NATURAL SDG, S.A.	DIRECTOR
DEMETRIO CARCELLER ARCE	SACYR, S.A.	VICE-CHAIRMAN 1
EUGENIO RUIZ-GÁLVEZ PRIEGO	PROSEGUR, COMPAÑÍA DE SEGURIDAD, S.A.	DIRECTOR
JOSÉ NIETO DE LA CIERVA	CORPORACIÓN FINANCIERA ALBA, S.A.	DIRECTOR
JOSÉ NIETO DE LA CIERVA	BANCA MARCH, S.A.	MANAGING 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**

Article 32.2 of the Regulations of the Board 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:

<b>Remuneration of the board (thousand euros)</b>	4,907
<b>Amount of the overall remuneration corresponding to the vested rights of current directors in pension schemes (thousand euros)</b>	0
<b>Amount of the overall remuneration corresponding to the vested rights of former directors in pension schemes (thousand euros)</b>	4,907

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
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
JESÚS DE ZABALA BAZÁN	MANAGER INTERNAL AUDIT
MANUEL GONZÁLEZ DE LUNA	MANAGER INVESTOR RELATIONS AND FINANCIAL INSTITUTIONS
GLORIA RODRÍGUEZ PATA	CORPORATE ASSETS MANAGER

<b>Total remuneration top management (thousand euro)</b>	2,061
--	-------

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
RUDOLF-AUGUST OETKER	SOCIEDAD ANÓNIMA DAMM	DIRECTOR
JOSÉ NIETO DE LA CIERVA	BANCA MARCH, S.A.	MANAGING DIRECTOR
JOSÉ NIETO DE LA CIERVA	BANCA INVERISIS, S.A.	CHAIRMAN
JOSÉ NIETO DE LA CIERVA	CORPORACIÓN FINANCIERA ALBA, S.A.	DIRECTOR

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

**Name of director**

DEMETRIO CARCELLER ARCE

**Name of significant shareholder**

SOCIEDAD ANÓNIMA DAMM

**Description of relationship**

Demetrio Carceller Arce has an indirect holding of 0.687% in 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 holding of 91.9625% in Alimentos y Aceites, S.A. and its company secretary and secretary of the board, Concepción Ordiz Fuertes, represents Alimentos y Aceites, S.A. on the board of Ebro Foods, S.A.

**Name of director**

EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.

**Name of significant shareholder**

JUAN LUIS GÓMEZ-TRENOR FOS

**Description of relationship**

Juan Luis Gómez-Trenor Fos wholly owns Empresas Comerciales e Industriales Valencianas, S.L. and is Sole Director of the company.

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

YES  NO

Description of modifications
------------------------------

On 29 April 2015 the Board approved modifications to the Regulations of the Board, mainly to adapt them to the amendments to the Corporate Enterprises Act made by Act 31/2014 of 3 December and adapt the contents to the new good governance recommendations and the new Articles of Association and Regulations of the General Meeting made in the wake of the aforesaid change in the law and laid before the General Meeting for approval on 3 June 2015.

The modifications made to the Regulations of the Board affected practically all the articles (either by altering the contents in some aspect or by moving them within the new structure of the Regulations). Those modifications are summed up below:

- The programmatic content or principles have been reduced considerably and now the Regulations contain more specific rules on the composition, positions, procedure and powers of the Board and its committees, the status of director and relations between the board and shareholders, market, auditors and senior executives.
- Those aspects of the new legislation that the Board considered should be reflected in the Regulations have been included, while avoiding the inclusion of imperative legal provisions (applicable regardless of whether or not they are reflected in regulations), so that the Regulations will be an operational, practical document.
- As a rule, they maintain the set-up and powers of the different bodies, positions and committees previously contemplated in the Regulations, completing them (as far as possible with referrals to current legislation) with the new legal provisions.
- In Chapter I, containing the general provisions, the changes were essentially to wording.
- In Chapter II, on the composition of the Board, the qualitative criteria of the composition were developed, mainly in accordance with the relevant good governance recommendations.
- In Chapter III, on duties and powers of the Board, it was indicated that they were included, and should be construed, within the framework of the imperative legal regulation on the powers of this body. In the same sense, a specific article was included on the possibility of delegating those duties which, by law, cannot be delegated, although in emergencies the delegated bodies may adopt decisions on business within the competence of the Board, in which case they must subsequently be ratified by the Board.
- In Chapter IV, on the structure of the Board, the provisions on the Chairman, Vice-Chairman, Managing Director and Secretary were adapted to the current legal provisions. Regulation of the Lead Independent Director was also included, essentially in the same terms as those set out in the Corporate Enterprises Act as amended by Act 31/2014.
- In Chapter V, on the procedures of the Board, minimum changes were made in the wake of the new legal provisions: reference to the periodical assessment of the Board, calling of Board meetings at the request of the Lead Independent Director and the limitations on representation on the Board.
- In Chapter VI, on Committees, the previous text of the Regulations was largely maintained, with any changes considered necessary in respect of the new legal provisions. It was opted to maintain the lists of



---

powers attributed to the Committees, although they must fit in with those of the different corporate bodies according to the current legislation.

- Chapter VII, on the status of Directors, suffered the greatest changes, mainly due to the major amendments to the Corporate Enterprises Act made by Act 31/2014 regarding directors' duties. The company has endeavoured to include in the Regulations the main aspects of those amendments (which are mandatory). The article on directors' remuneration was also altered, adjusting it to the new text of the Articles of Association on the matter (laid before the AGM on 3 June 2015 and approved), which was in turn adapted to the new legal provision (distinguishing between the remuneration of the directors as such and the remuneration of directors for executive duties performed).

- In Chapter VIII, on relationships between the board and shareholders, markets, auditors and senior management, the previously existing regulations were largely maintained, with certain changes in wording, mainly to adjust the regulations to the amended Act.

- The Final Provisions were eliminated, although they must nevertheless be observed. However, it was considered unnecessary to include them in the Regulations.

#### 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 now 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 vacancy pre-term. In directors 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.

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 must be persons of recognised repute, with adequate experience and expertise to be able to perform their duties.

As regards the role of the Nomination and Remuneration Committee in the appointment of directors, see the duties of this Committee in Explanatory Note Seven of section H herein.

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 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 Article 24 of 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.

Description of modifications
------------------------------

It has not given rise to any change.

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, 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.

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.

No assistance was received from external consultants in the assessment of the Board, its Committees and its Chairman in 2015.

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:

- 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.

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 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 on which there is a casting vote</b>
---

All.

Article 22.11 of the Regulations of the Board stipulates that in the event of a tie, the chairman, or acting chairman, shall have a casting vote.

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, especially for each board meeting.

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, other than as stipulated by law.

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>	12
<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>	0
---------------------------	---

Indicate the number of meetings held by the different Committees of the Board:

<b>Committee</b>	<b>No. meetings</b>
EXECUTIVE COMMITTEE	8
AUDIT AND COMPLIANCE COMMITTEE	10
NOMINATION AND REMUNERATION COMMITTEE	9
STRATEGY AND INVESTMENT COMMITTEE	2

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>Attendance of directors</b>	10
<b>% attendance over total votes during the year</b>	98.61%

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.

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 and Finance 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 and Finance 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 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, 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 establish 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, 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 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. Accordingly, the manager of the investor relations and communication department has reported to the Audit Committee on the work done in this respect.

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
<b>Cost of work other than auditing (thousand euro)</b>	101	219	320
<b>Cost of work other than auditing / Total amount invoiced by the auditors (%)</b>	42.80%	14.30%	18.10%

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
<b>Number of years in succession</b>	2	2
<b>Number of years audited by current auditors / Number of years that the company has been audited (%)</b>	8.10%	8.10%

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, provided the proposal is authorised, contract the expert in question.

- 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**

Article 40 of the Regulations of the Board 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.

- All requests for information shall be addressed to the Chairman and met 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.

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

**Explain the rules**

Article 31 of the Regulations of the Board stipulates that 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

**Name of Director**

DEMETRIO CARCELLER ARCE

**Criminal Case**

Tax offence

**Comments:**

The director informed the board of the criminal action brought against him.

Has the Board 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.

YES  NO

**Decision adopted/action taken:**

The Board was informed of the information received by the director and resolved, with his abstention, not to make any decision or take any initiative in this regard.

**Reasoned explanation:**

The Board considers that proceedings brought against the director have nothing to do with the company and does not affect its business.

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 controlling 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:**

Golden handshake clauses are established for two non-director executives in the event of dismissal or takeover in excess of the amount that would be payable pursuant to the labour laws currently in place.

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

	<b>Board of Directors</b>	<b>General Meeting</b>
<b>Body authorising the clauses</b>	<b>Yes</b>	<b>No</b>

	<b>Yes</b>	<b>No</b>
Is the General Meeting informed on the clauses?	<b>X</b>	

## C.2 Committees of the Board

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

### EXECUTIVE COMMITTEE

<b>Name</b>	<b>Position</b>	<b>Type</b>
JOSÉ ANTONIO SEGURADO GARCÍA	MEMBER	Independent
DEMETRIO CARCELLER ARCE	VICE CHAIRMAN	Proprietary
ANTONIO HERNÁNDEZ CALLEJAS	CHAIRMAN	Executive
JOSÉ NIETO DE LA CIERVA	MEMBER	Proprietary

<b>% executive directors</b>	25.00%
<b>% proprietary directors</b>	50.00%
<b>% independent directors</b>	25.00%
<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 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 Executive Committee shall be presided by the Chairman of the Board.

The Executive Committee shall generally hold one meeting 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.

The powers of the Executive Committee and its actions during 2015 are set out in Explanatory Note Seven in section H of this report.

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

YES  NO

## **AUDIT AND COMPLIANCE COMMITTEE**

Name	Position	Type
EUGENIO RUIZ-GÁLVEZ PRIEGO	MEMBER	Other non-executive
FERNANDO CASTELLÓ CLEMENTE	MEMBER	Independent
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	CHAIRMAN	Independent
HISPAFOODS INVEST, S.L.	MEMBER	Proprietary

<b>% proprietary directors</b>	25.00%
<b>% independent directors</b>	50.00%
<b>% other non-executive directors</b>	25.00%

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.

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

All the members of this committee must be non-executive directors and at least two of them must be independent directors. One of the members must be appointed on account of his 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.

The powers of the Audit and Compliance Committee and its actions during 2015 are set out in Explanatory Note Seven in section H of this report.

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>	1

## **NOMINATION AND REMUNERATION COMMITTEE**

Name	Position	Type
JOSÉ ANTONIO SEGURADO GARCÍA	MEMBER	Independent
DEMETRIO CARCELLER ARCE	MEMBER	Proprietary
FERNANDO CASTELLÓ CLEMENTE	CHAIRMAN	Independent
HISPAFOODS INVEST, 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.

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 in accordance with the provisions of law, the Articles of Association and the Regulations of the Board.

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 requests the issuance of reports, submission of proposals or adoption of resolutions within the scope of its duties.

The powers of the Nomination and Remuneration Committee and its actions during 2015 are set out in Explanatory Note Seven in section H of this report.

## STRATEGY AND INVESTMENT COMMITTEE

Name	Position	Type
DEMETRIO CARCELLER ARCE	CHAIRMAN	Proprietary
ANTONIO HERNÁNDEZ CALLEJAS	MEMBER	Executive
JOSÉ NIETO DE LA CIERVA	MEMBER	Proprietary
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	MEMBER	Executive

% executive directors	50.00%
% proprietary directors	50.00%
% 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.

This Committee has a minimum of three and a maximum of five directors, including a Chairman, appointed by the Board 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 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. The powers of the Strategy and Investment Committee and its actions during 2015 are set out in Explanatory Note Seven in section H of this report.

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							
	2015		2014		2013		2012	
	No.	%	No.	%	No.	%	No.	%
EXECUTIVE COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%
AUDIT AND COMPLIANCE COMMITTEE	1	25.00%	1	25.00%	2	40.00%	2	40.00%
NOMINATION AND REMUNERATION COMMITTEE	1	25.00%	1	25.00%	2	40.00%	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 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 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](http://www.ebrofoods.es)) and the website of the National Securities Market Commission ([www.cnmv.es](http://www.cnmv.es)).

See section C.1.8 of this report for the latest alterations to the Regulations of the Board.

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 ([www.ebrofoods.es](http://www.ebrofoods.es)) coinciding with the call to the Annual General Meeting of Shareholders.

#### 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 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, controlling shareholders, other related parties or shareholders represented on the Board must be authorised by the Board.

This 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. A 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 only be sufficient for bilateral or recurring transactions made in the normal course of the company's business. By exception, 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 controlling 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.	Contractual	Sale of goods (finished or otherwise)	1,036
SOCIEDAD ANÓNIMA DAMM	HERBA RICEMILLS, S.L.U.	Contractual	Sale of goods (finished or otherwise)	3,985

**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:**

<b>Name of director or executive</b>	<b>Name of company or group company</b>	<b>Relationship</b>	<b>Type of transaction</b>	<b>Amount (thousand euro)</b>
ANTONIO HERNÁNDEZ CALLEJAS	LUIS HERNÁNDEZ GONZÁLEZ	Relative	Leases	37
ANTONIO HERNÁNDEZ CALLEJAS	CARDENAL ILUNDAIN 4, S.L.	Controlled company	Leases	72
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	ANGLO AUSTRALIAN RICE, LTD	Controlled company	Purchase of goods (finished or otherwise)	114
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	ANGLO AUSTRALIAN RICE, LTD	Controlled company	Sale of goods (finished or otherwise)	114
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	DEHESA NORTE, S.A.	Controlled company	Purchase of goods (finished or otherwise)	114
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	DEHESA NORTE, S.A.	Controlled company	Sale of goods (finished or otherwise)	114
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	EL COBUJÓN, S.A.	Controlled company	Purchase of goods (finished or otherwise)	1,447
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	EL COBUJÓN, S.A.	Controlled company	Sale of goods (finished or otherwise)	109
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	ISLASUR, S.A.	Controlled company	Purchase of goods (finished or otherwise)	166
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	ISLASUR, S.A.	Controlled company	Sale of goods (finished or otherwise)	125
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	MUNDIARROZ, S.A.	Controlled company	Purchase of goods (finished or otherwise)	113
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	MUNDIARROZ, S.A.	Controlled company	Sale of goods (finished or otherwise)	113
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	PESQUERÍAS ISLA MAYOR, S.A.	Controlled company	Purchase of goods (finished or otherwise)	102
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	PESQUERÍAS ISLA MAYOR, S.A.	Controlled company	Sale of goods (finished or otherwise)	102
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	-	-	Leases	122
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	-	-	Purchase of goods (finished or otherwise)	7,851
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	-	-	Services rendered	2
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	-	-	Services received	192
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	-	-	Sale of goods (finished or otherwise)	113
ALIMENTOS Y ACEITES, S.A.	-	-	Dividends and other distributions	10,521
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	-	-	Dividends and other distributions	9,102
HISPAFOODS INVEST, S.L.	-	-	Dividends and other distributions	7,067
FERNANDO CASTELLÓ CLEMENTE	-	-	Dividends and other distributions	1,523
JOSÉ NIETO DE LA CIERVA	-	-	Dividends and other distributions	6
JOSÉ NIETO DE LA CIERVA	MARÍA MACARENA AGUIRRE GALATAS	Relative	Dividends and other distributions	1

Name of director or executive	Name of company or group company	Relationship	Type of transaction	Amount (thousand euro)
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	-	-	Dividends and other distributions	2
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	LA FUENTE SALADA, S.L.	Controlled company	Dividends and other distributions	2,130
JOSÉ ANTONIO SEGURADO GARCÍA	-	-	Dividends and other distributions	1
EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.U.	-	-	Dividends and other distributions	7,210

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

130 (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 controlling 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, 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 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, 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.

As far as executives of the Group are concerned, the Internal Code of Market Conduct stipulates in Rule 11 that any Relevant Persons (which includes Group executives) who are or may be in a conflict of interest shall inform the Compliance Unit (reporting to the Audit and Compliance Committee) of their situation, abstain from participating in or influencing any decisions on the matters affected by the conflict, act with freedom of judgement, loyalty to the Company and its shareholders and independently of their own interests and abstain from requesting or having access to any information or documentation related with the conflict of interest

Without prejudice to their obligation to inform, both the directors 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 the Company 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.

In 2015, in the wake of the amendments to the Corporate Enterprises Act in December 2014 and the new recommendations included in the Code of Good Governance of Listed Companies in February 2015, the Group has bolstered its Risk (including tax risks) Control System and internal control of financial reporting, the main novelty being the creation of the Risks Committee, an internal committee reporting to the Audit and Compliance Committee, as the centrepiece of the control system.

Following those changes, 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 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 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 different units, on which the Chairman of the Board and the Chief Operating Office (COO) sit, assess the risks and mitigation measures.

- Risk officers in the different units. The Risks Committee nominates individuals in the major subsidiaries to monitor the systems for control and management of risks, including tax risks, and control of the financial reporting and reporting to the Committee.

- Internal Audit Department. Within the internal audits of the different subsidiaries, the Company's Internal Audit Department shall check 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.

- Operational risks:

- Food safety and environmental risks: 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 it is 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. Respect for the environment is another critical point for the Group, considering our industrial activity, with a large number of plants distributed mainly throughout Europe and the USA.

- 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.

- Customer concentration risk: The concentration of customers, which can occur in both the industrial and retail 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.

- Risks related with the environment and strategy:

- Environmental/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 our market shares.

- 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, etc., as they may adversely affect the Group's ability to maintain its commercial and financial relations.

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



• 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.

- 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.

• 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 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.

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

The main risks that occurred during the reporting period were related with the supply of raw materials:

- There was a shortage in 2015 of domestic pearl rice stocks, which the Group uses in its brands. The problem stemmed from a small harvest the previous autumn and increased competition from other operators for supplies of this type of rice. The situation recurred with the new harvest and became a threat for the Group's brands. Measures were immediately put into place, consisting of international sourcing to find and obtain supplies of similar varieties. New controls over rice varieties have been established in the IT systems as a preventive measure, enabling the company to anticipate this type of situation according to sales budgets.

- The drought persisted in Texas for the fourth year in succession, with water levels in the reservoirs at all-time lows, preventing irrigation in traditional rice-growing areas and generating a small harvest, with a price spread over other sources. This has forced our Freeport plant in Texas to seek alternative sources of supply, which entail higher logistic costs, dragging down the profits of this plant. Riviana (the Group's US subsidiary) has had to move part of its Freeport production to another plant in Tennessee, where it is easier to obtain rice from Arkansas and Louisiana and minimise the cost structure of the plant.

- The 2014/2015 durum wheat harvest suffered several problems of quality and yield caused by weather factors that affected some of the principal producers (France, United States and Canada). As a result, prices soared in the last third of 2014, with a terrific impact on the cost of the Group's supplies. To cope with this, the Group's subsidiaries raised the prices of certain products and cut promotions after making a thorough study of product listings and customers. Controls were also stepped up on purchases and stock to enable the maximum possible flexibility in the face of expected changes in the market, which indeed occurred as from the new 2015/2016 harvest, when prices came down.

Other financial and competition risks also occurred:

- There was a sharp devaluation of the Canadian dollar in 2015, falling 23% against the American dollar. Part of the supplies of our subsidiary in Canada, Catelli, are made in US\$, with the consequent increase in the cost of its products. This increased cost was partly offset by raising the selling prices of the affected products and using alternative cover to guarantee the cash flows deriving from these transactions.

- A regional rival in the fresh pasta business in Canada has embarked on a very aggressive strategy, taking advantage of the start-up of a new plant enabling them to increase their production capacity. As a result of this increase in their activity, Olivieri (Canadian subsidiary of the Group) has lost part of its business with one of our customers in two provinces of Canada. This has also put extra pressure on selling prices and promotions in this segment. In response, Olivieri has increased the number of exclusive agreements and private label production agreements to guarantee an adequate volume of production in the medium term so as to ensure its medium and long-term profit and recover positions through innovation.

## 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 is responsible for defining the general strategy and guidelines for management of the company 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, 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 of the Ebro Foods Group, 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 practically any Group company and it has been distributed among all Group employees during the year.

The Code of Conduct is also 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. It has a Compliance Unit, with sufficient initiative, autonomy and resources, which 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, the Audit and Compliance Committee is formally responsible for implementing a confidential whistle-blowing 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 whistle-blowing 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.

The Audit and Compliance Committee has a specific e-mail address through which any employees may report whatever conduct they may consider necessary and contact the Audit and Compliance Committee to inform on breaches of the code of conduct. 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 a group-level team, 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 documented 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. However, transactions or complex corporate structures that might entail off-balance sheet transactions which should be recorded within it are not identified at present.

- 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.

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.

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 will shortly begin 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 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 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, 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 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; ensure 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; report to the board on any related party transactions submitted for its consideration; control any possible conflicts of interest; and, in general, make sure that all the company's information and reporting, particular financial, complies with the principle of truth and maximum transparency for shareholders and markets.

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 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.

- 7.5.2 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 and the main 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, being informed on the financial reporting process and internal control systems.

During 2015, the External Auditor attended 5 meetings of the Audit and Compliance Committee and the Internal Auditor has attended 9 meetings.

## 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 by the external auditor is appended.

## 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

The Board tabled a motion at the annual general meeting held on 3 June 2015 to authorise the Board to increase the capital pursuant to section 297.1(b) of the Corporate Enterprises Act and exclude the preferential subscription right on the terms of section 506 of the same Act.

In the report justifying the proposal, it was explained that even though the proposal submitted at the AGM regarding suppression of the preferential subscription right was not limited by any amount (beyond the applicable limits stipulated in law), the Board intended to limit the use of this power to no more than 20% of the company's capital at the date on which the General Meeting approved the authorisation, unless there were especially important circumstances which, in the Board's opinion, made it necessary to extend the exclusion beyond that limit in the company's interests. Were this to occur, it would be specifically explained in the report(s) to be issued by the Board on exercising the delegated power.

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 controlling shareholders and directors have been made at market prices and on arm's length terms and issues a favourable report to the Board, 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 (74.37% at the last AGM held on 3 June 2015), 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 on the corporate website, where it is fully available, downloadable and easy to access, with no limitations or restrictions of any nature.

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

Of the twelve board members at present, three are independent and one is an "other non-executive" director.

Although the director classified as "other non-executive" performs his duties on the board and audit and compliance committee just like any other independent director, he cannot be classified as such because he has been a director of Ebro Foods, S.A. for a continuous period of over 12 years.

Therefore, despite the formal classification of the directors, in actual fact of a total of twelve directors, four (1/3) act as true independent directors.

This notwithstanding, the company will take this situation into account when filling the vacancy produced on the board when an independent director stepped down in 2014.

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

All the requirements of this Recommendation are met except b).

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.

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

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 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").

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 controlling 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 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.

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

The company complies with this Recommendation, although in the annual assessment of the board, its committees and its executive chairman, the company has so far not sought assistance from external consultants.

For future years, the Nomination and Remuneration Committee will assess and submit to the board its opinion on the convenience of engaging external consultants.

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

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

All the members of the Audit Committee, especially the Chairman, have been appointed on account of their professional experience and expertise in accounting, auditing or risk management, so the company complies with the Regulation in that part.

As regards the Recommendation that most of the members of the Audit and Compliance Committee should be Independent Directors, we should point out that this Committee is made up of two independent directors, one proprietary director and one who is classified as "other non-executive". Although the director classified as "other non-executive" performs his duties just like any other independent director, he cannot be classified as such because he has been a director of Ebro Foods, S.A. for a continuous period of over 12 years. See the explanation given in Recommendation 17 above.

Therefore, despite the formal classification of the directors, in actual fact of the four directors on the Audit and Compliance Committee, three of them (i.e. the majority of the members of this committee) act as true independent directors.

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 consists of four members, two of whom are independent directors and the other two proprietary directors. The company will bear this situation in mind when it fills the vacancy produced by the resignation tendered by an independent director on 1 December 2014.

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

The company complies with all of this Recommendation except the first paragraph, according to which most of the members of the Audit and Compliance Committee and the Nomination and Remuneration Committee should be independent directors.

Regarding the Audit and Compliance Committee, we refer to the explanation given in Recommendation 39 above.

Regarding the composition of the Nomination and Remuneration Committee, this committee has four members, two of whom are independent directors, one of them chairing the committee, and the other two are proprietary directors. Therefore, in this committee the independent directors represent 50% of the total, although in the event of a tie, the weight of the independent directors is increased by the casting vote of the chairman, who is an independent director.

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

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 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.

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 CURRENT COMPOSITION OF THE BOARD OF DIRECTORS AND THE PROPORTIONS OF MEMBERS IN THE DIFFERENT CATEGORIES OF DIRECTORS

- With regard to the presence of female directors and the numbers of independent directors, it is put on record that:

(i) The company bears both aspects in mind for filling the vacancy produced on the resignation as of 1 December 2014 of an independent director.

(ii) The director classified as "other non-executive" was appointed director and member of the Audit and Compliance Committee on account of his personal and professional qualities. He performs his duties unconditioned by relations with the company or its group, controlling shareholders or executives. Therefore, this director performs his duties in the Board and Audit and Compliance Committee just like any other independent director, although he cannot be classified as such because he has been on the board for more than 12 years in succession.

- As regards the classification of Instituto Hispánico del Arroz, S.A. as an executive director:

(i) Instituto Hispánico del Arroz, S.A. 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) Instituto Hispánico del Arroz, S.A. has been classified as an executive director because its individual representative on the board of directors of Ebro Foods, S.A. (see section 212 bis of the Corporate Enterprises Act) is an executive of one of the Group's subsidiaries.

(iii) Instituto Hispánico del Arroz, S.A. holds the position of director because it is the largest shareholder of the company, with a total interest, direct and indirect, of 15.92%. Instituto Hispánico del Arroz, S.A. will continue to be a director of Ebro Foods, S.A. during such time as it is 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.4

Instituto Hispánico del Arroz, S.A. and Hispafoods Invest, S.L. are directors and also significant shareholders of the company (see percentage shareholdings indicated in A.3) and the relationships contemplated in the explanatory note on section C.1.17 exist between them.

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

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

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

#### EXPLANATORY NOTE FOUR, ON SECTION B.4

As indicated in the information contained in the attendance list of the AGM incorporated in the notarial minutes issued thereof, the figures on attendance in person and by proxy set out in section B.4 of this report include the percentages of postal and electronic votes.

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

- The total amount indicated in section C.1.16 includes the remuneration of all the company executives, even though they do not all have senior management employment relations on the terms stipulated in law.

- In 2015 a sum of €128,000 was distributed among all executives (except the Chairman of the Board) of Ebro Foods, S.A. included in the Deferred Annual Bonus Scheme linked to the Group's Strategic Plan 2013-2015, corresponding to 2013. This sum represents 25% of the Deferred Annual Variable Remuneration for the three-year period and was provided for in the 2013 accounts.

- A provision has been recognised in the 2015 accounts of €124,000 as the provisional estimate of the sum corresponding to 2015 to be distributed among all executives (except the Chairman of the Board) included in the Deferred Annual Bonus Scheme linked to the Group's Strategic Plan 2013-2015. This sum represents 50% of the Deferred Annual Variable Remuneration for that three-year period and, in accordance with the terms of that Scheme, will be paid in 2017.

- Finally, these Deferred Annual Bonus Schemes are not indexed to the value of the company share and the beneficiaries do not receive any shares or rights thereover.

- The contracts of two executives contemplate termination benefits in the event of termination or takeover, in a sum exceeding that payable under the applicable labour laws. For other executives, the benefits initially established are lower than the indemnity established in the Workers' Statute, owing to their accumulated seniority.

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

- Instituto Hispánico del Arroz, S.A. and Hispafoods Invest, S.L. are directors and controlling shareholders of Ebro Foods, S.A. Instituto Hispánico del Arroz, S.A. holds 100% of the capital of Hispafoods Invest, S.L. (direct interest of 51.62% and indirect interest of 48.38%) and is director of that company.

- Antonio Hernández Callejas has a direct interest of 16.666% in Instituto Hispánico del Arroz, S.A. and an indirect interest of 16.666% in Hispafoods Invest, S.L. Therefore, Antonio Hernández Callejas has an indirect interest in Ebro Foods, S.A. through the 15.921% interest held directly and indirectly in this company by Instituto Hispánico del Arroz, S.A. Antonio Hernández Callejas does not hold any office in those companies.

- Félix Hernández Callejas and Blanca Hernández Rodríguez, representatives of Instituto Hispánico del Arroz, S.A. and Hispafoods Invest, S.L., respectively, each have a direct interest of 16.666% in Instituto Hispánico del Arroz, S.A. and an indirect interest of 16.666% in Hispafoods Invest, S.L. Therefore, Félix Hernández Callejas and Blanca Hernández Rodríguez each have an indirect interest in Ebro Foods, S.A. through the 15.921% interest held directly and indirectly in this company by Instituto Hispánico del Arroz, S.A. Félix Hernández Callejas is Managing Director of Instituto Hispánico del Arroz, S.A. and does not hold any office in Hispafoods Invest, S.L. Blanca Hernández Rodríguez does not hold any office in either of those companies.

- Demetrio Carceller Arce has an indirect interest in Ebro Foods, S.A. through the 10.03% interest held indirectly in this company by Sociedad Anónima Damm through Corporación Económica Damm, S.A.

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

- 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".

- All the members of the Audit and Compliance Committee were appointed on account of their expertise and experience in accounting and auditing, including Hispafoods Invest, S.L., which was elected on the basis of the expertise of its representative in these matters.

- The duties of the different Board Committees as established in the Regulations of the Board are set out below, without prejudice to those they have by law:

#### DUTIES OF THE EXECUTIVE COMMITTEE:

Notwithstanding the specifications of the Board in the resolution to delegate powers and the powers of the Board that may not be delegated, the Executive Committee has the following powers:

a) Adopt resolutions corresponding to the powers delegated to it by the Board of Directors.

b) Monitor and supervise the normal management of the company, ensuring adequate coordination with subsidiaries in the common interests of the latter and the company.

c) Study and propose to the Board of Directors the guidelines defining business strategy, supervising their implementation.

d) Debate and inform the Board on any issues corresponding to the following matters, regardless of whether or not they have been delegated by the Board:

- Separate and consolidated annual budget of the company, itemising the provisions corresponding to each core business.

- Monthly monitoring of the financial management, deviations from the budget and proposed remedial measures, if necessary.

- Significant financial investments and investments in property, plant and equipment and the corresponding economic justification.

- Alliances and agreements with other companies which, by virtue of their amount or nature, are important for the company.

- Financial transactions of a material economic significance for the company.

- Programme of medium-term actions.

- Assessment of the achievement of objectives by the different operating units of the company.

- Monitoring and assessment of the subsidiaries in respect of the matters contemplated in this sub-section d).

e) Adopt resolutions corresponding to the buy-back and disposal of treasury stock by the Company, in accordance with the authorisation, if any, granted by the General Meeting. A Director may be designated to execute and formalise the

decisions to buy or sell own shares, supervising and, if appropriate, authorising any resolutions that may be adopted by subsidiaries to buy and sell their own shares or shares in the Company, whenever such authorisation is required by law.

#### DUTIES OF THE AUDIT AND COMPLIANCE COMMITTEE:

The Audit and Compliance Committee shall have the following powers, in addition to those assigned to it by law, regulations or the Articles of Association:

a) Supervise and promote internal control of the company and the risk management systems and submit recommendations to the Board for a decision on the risk management and control policy, including tax risks, specifying at least:

- The types of risk to which the company is exposed.
- The risk level that the company considers acceptable.
- The measures for mitigating the impact of identified risks, should they actually occur.
- The control and reporting systems used to control and manage those risks.

b) 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.

c) 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.

d) 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.

e) 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.

f) Be informed of the decisions adopted by the senior management according to recommendations made by the External Auditors in connection with the audit.

g) Report to the Board prior to the adoption of any decisions on related party transactions submitted for its authorisation.

h) Implement a confidential whistle-blowing channel accessible to all Group employees and a protocol for establishing priority, processing, investigating and solving any issues reported through that channel according to their importance and nature, paying special attention to those involving possible falsehood or misrepresentation in financial or accounting documents and possible fraud.

i) Supervise compliance with the internal codes of conduct and rules of corporate governance. In particular, oversee the implementation of and compliance with the internal regulations and codes applicable to the risk management and control systems in general and the financial reporting process in particular.

j) 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. The Committee shall 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. It shall also inform the Board on the proposal submitted to the Board by the Company Chairman regarding the appointment of the Internal Audit Manager, who shall report directly to the Chairman of the Board.

k) Supervise and report to the Board 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, significant shareholders and listed subsidiaries, if any.

l) The Audit and Compliance Committee shall also report to the General Meeting on any issues raised by shareholders concerning matters within its competence.

#### DUTIES OF THE NOMINATION AND REMUNERATION COMMITTEE:

In addition to any other powers corresponding to it by law or the Articles of Association, the Committee shall study, issue reports and submit proposals for the Board, at its request, on the following matters:

- a) Definition and, where appropriate, revision of the criteria to be followed for the composition and structure of the Board and selection of candidates to join the Board, informing always prior to the appointment of a Director by cooptation or the submission to the General Meeting of any proposal regarding the appointment or removal of Directors.
- b) 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; appointment of Directors to the Committees of the Board; and appointment and possible dismissal of senior executives and their termination benefit clauses.
- c) Position of the Company regarding the appointment and removal of board members in subsidiaries.
- 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.
- e) Supervision of the senior management remuneration and incentives policy, obtaining information and reporting on the criteria followed by the Company's subsidiaries in this respect.
- f) Assessment of the principles of the management training, promotion and selection policy in the parent company and, where appropriate, in its subsidiaries.
- g) Examination and organisation, as deemed adequate, of the succession of the Chairman and chief executive and, if appropriate, submission of proposals to the Board to ensure that such succession is made in an orderly, well-planned manner.
- h) Preparation and proposal of the Annual Report on Directors' Remuneration and the Directors' remuneration policy in accordance with the laws and regulations in place from time to time.
- i) Setting targets for the representation of the least represented gender on the Board and issue guidelines on how to achieve them.

#### DUTIES OF THE STRATEGY AND INVESTMENT COMMITTEE:

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

- a) Setting of targets for growth, yield and market share.
  - b) Strategic development plans, new investments and restructuring processes.
  - c) 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.
- The activities performed by the different Board Committees in 2015 are indicated below:

#### ACTIONS PERFORMED BY THE EXECUTIVE COMMITTEE:

- Several investments, divestments and sales of assets were valued.
- Strategic decisions to be adopted in respect of the different businesses were assessed.

#### ACTIONS PERFORMED BY THE AUDIT AND COMPLIANCE COMMITTEE:

- The Committee checked and resolved to pass a favourable report to the board on the periodical financial reporting for H2 of 2014 and on Q1, H1 and Q3 of 2015.
- The Committee checked and resolved to pass a favourable report to the board on the review and modification of periodical public reporting on 2014, which had previously been checked and approved by the Board, following the resolution passed by the CNMV in the dairy inquiry, in view of which that review of the previously approved financial information was considered advisable on the terms reported to the market.
- The related party transactions and situations of potential conflict of interest corresponding to 2014 were checked, resolving to submit a favourable report to the board on those transactions and situations, and on the authorisation for them to be made in 2015.
- The committee checked and agreed to issue a favourable report to the Board on the separate and consolidated annual accounts and directors' report for the year ended 31 December 2014. During the review, the external auditors of the company and its group (EY) submitted its draft unqualified auditors' report.
- The draft report by the auditors on the FRICS (financial reporting internal control system) 2014 was reviewed.
- The external audit of the separate and consolidated annual accounts 2014 was monitored.
- After the corresponding review, a favourable report was issued on the independence of the auditors.
- The Internal Audit Plan for 2015, presented by the Chief Audit Officer, was approved.
- The operation and use of the whistle-blowing channel in 2014 was reviewed.
- The information on related party transactions and situations of potential conflict of interest and the information on risk control included in the Annual Corporate Governance Report 2014 was checked, resolving to submit a favourable report to the board.
- The activity report of the Committee for 2014 was issued and submitted to the board.

- The committee studied and submitted a favourable report to the board on the modification of the Regulations of the Board.
- The committee studied the presentation given by the external auditors (EY) of the letter of recommendations regarding internal control processes, analysing the alternatives submitted by the internal audit department in respect of the implementation of measures to optimise the internal control system.
- The external auditors (EY) ran a training session on new aspects on accounting and auditing; in particular, they explained (i) the novelties introduced in the Corporate Enterprises Act by the reform of December 2014 and the new good governance recommendations affecting the Committee; and (ii) the parliamentary initiatives concerning auditing.
- The report prepared by the Internal Audit Department on different subsidiaries of the Group, within the Internal Audit Plan 2015, was examined.
- The external auditors (EY) ran a training session on IFRS 15 (revenue recognition), with special emphasis on how it might affect the Group's accounting.
- The proposed fees of the external auditors (EY) for auditing of the 2015 accounts was analysed and a report submitted to the board.
- The committee was informed on the work being done in respect of the control and management of risks, including tax risks, and financial reporting internal control systems, particularly the measures taken to strengthen the control structure in accordance with the good governance recommendations.
- The committee was informed on the review and update in progress of the crime prevention model.
- The general policies affecting the powers of the committee were checked and a favourable report was submitted to the board.
- The amendment to the Internal Code of Market Conduct and the Code of Conduct proposed within the review of the crime prevention model were checked and a favourable report was submitted to the board.
- The proposal for the distribution of dividends against the 2015 accounts (payable in 2016) was assessed and a favourable report was submitted to the board, on the terms subsequently approved by the board and announced to the market on 22 December 2015.
- The committee attended the presentation given by the head of the shareholder and investor relations department, within the committee's duty to supervise the general policies of the company.

#### ACTIONS PERFORMED BY THE NOMINATION AND REMUNERATION COMMITTEE:

- The new aspects introduced in the Corporate Enterprises Act by Act 31/2014 of 3 December affecting the composition and duties of the Committee, the board and other committees were analysed, in order to assess and report to the board on the resolutions, if any, that should be adopted to adapt to the new legislation.
- The committee studied and reported favourably to the board on the appointment of the Lead Independent Director.
- The Committee studied and agreed to issue a favourable report to the Board on the Remuneration Policy for Company Directors and Executives of the Parent and Group for 2014-2015.
- The Committee studied and agreed to issue a favourable report to the Board on the conditions of termination of a group executive in Portugal.
- It was resolved to recommend the board to pay the second instalment of the share in profits corresponding to 2014.
- The Committee agreed to recommend the Board, with a favourable report, to approve the Report on Directors' Remuneration for 2014, to be put to an advisory vote at the AGM as a separate item on the agenda.
- The report on the assessment of the Board, its Chairman and Committees in 2014 was prepared, to be submitted to the Board of Directors.
- The Nomination and Remuneration Committee Report 2014 was prepared, to be submitted to the Board of Directors.
- The Committee studied and agreed to issue a favourable report to the Board on the information included in the Annual Corporate Governance Report 2014 on remuneration and categories of directors. In this regard, it was also resolved, in the light of the latest amendment to the Corporate Enterprises Act, to classify the directors into categories in order to adopt any resolutions that may be necessary for 2015.
- The Committee studied and agreed to issue a favourable report to the Board on the modifications to the Regulations of the Board.
- It was resolved to propose to the Board, with a favourable report, payment of (i) the final share in profits corresponding to 2014, once foreseeably approved at the annual general meeting, and (ii) the first instalment of the share in profits corresponding to 2015.
- Within the framework of the review of categories of directors, it was resolved to propose to the Board, with a favourable report, a change of category of the director Instituto Hispánico del Arroz, S.A., from proprietary director to executive director.
- It was resolved to propose to the Board, with a favourable report, approval of the employee Share Delivery Plan 2015.
- The Committee studied and issued a favourable report to the Board on the general policies affecting the powers of the Committee.
- The Committee studied and issued a favourable report to the Board on the terms of contract of two Group executives in foreign subsidiaries.

#### ACTIONS PERFORMED BY THE STRATEGY AND INVESTMENT COMMITTEE:

- Preliminary work was done on the Ebro Foods Group Strategic Plan 2016-2018.

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

The gross amount of dividends of Ebro Foods, S.A. for 2015 received by all the executives listed in section C.1.16 totalled €16 thousand.

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

During 2015, the Ebro Group concluded two transactions with related parties with an overall value of €130 thousand.

More precisely, the subsidiary Herba Ricemills, S.L.U. effected the following transactions with two companies controlled indirectly by the individual representing the director Hispafoods Invest, S.L., María Blanca Hernández Rodríguez:

- Purchase of goods (finished or otherwise) from Cabher 96, S.L. for €121 thousand.
- Receipt of services (expense) from Real Club de Golf de Sevilla, S.L. for €9 thousand.

#### EXPLANATORY NOTE TEN, CONCERNING RECOMMENDATION 60 IN SECTION G

The auditors' report contains no qualification of any nature so the situation contemplated in Recommendation 60 has not existed and, consequently, no decision has been made in this regard.

#### EXPLANATORY NOTE ELEVEN

- Ebro Foods, S.A. had an interest of 3.121% in Biosearch, S.A. at 31 December 2015. This interest is recognised in the Ebro Group accounts as "Available-for-sale financial assets".

Biosearch, S.A. is a listed company engaged in activities similar to the objects of Ebro Foods, S.A. and was part of the Ebro Group until January 2011.

The transactions made between 1 January and 31 December 2015 between Biosearch, S.A. and different companies of the Ebro Foods Group are indicated below:

- Herba Ricemills, S.L.U., purchase of goods (finished or otherwise) for €8 thousand
- Herba Ricemills, S.L.U., lease (income) for €26 thousand
- Ebro Foods, S.A., services rendered (income) for €21 thousand
- Ebro Roods, S.A. has an interest of 25% in Riso Scotti S.p.A. This is an associate consolidated by the equity method.

The transactions made in 2015 between Riso Scotti and a subsidiary of the Ebro Foods Group are indicated below:

- Herba Ricemills, S.L.U., purchase of goods (finished or otherwise) for €200 thousand
- Herba Ricemills, S.L.U., sale of goods (finished or otherwise) for €355 thousand
- Herba Ricemills, S.L.U., services rendered (income) for €9 thousand
- Ebro Foods, S.A., services rendered (income) for €5 thousand
- Ebro Foods, S.A., dividends received for €337 thousand

#### ETHICAL PRINCIPLES AND CODES VOLUNTARILY APPLIED BY EBRO FOODS, S.A. AND YEAR OF ACCESSION:

- United Nations Global Compact - 2001
- Project of the Spanish Commercial Coding Association (AECOC) against food waste, "Don't waste food, use it" - 2012
- Advisory Committee of the United Nations Development Programme (UNDP) to boost the Sustainable Development Goals (SDG) - 2015
- Sustainable Agriculture Initiative (SAI) Platform - 2015
- SERES Foundation - 2015

This Annual Corporate Governance Report was approved by the Board of Directors of the company on 31/03/2016.

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

YES  NO



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 2015

Dear 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 February 1, 2016, we have applied certain procedures in relation to the accompanying “ICFR disclosures” of EBRO FOODS, S.A. for 2015, 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 in section F) of the accompanying Annual Corporate Governance Report.

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 later 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 2015 financial reporting disclosures, as described in the accompanying ICFR disclosures. As a result, 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, enacted by means of Royal Decree- Law 1/2011, of July 1, 2011, we do not express an audit 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 IAGC 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)*

March 30, 2016

\_\_\_\_\_  
David Ruiz-Roso Moyano