

EBRO 2012

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REPORT ON DIRECTORS' REMUNERATION

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ANNUAL REPORT ON DIRECTORS' REMUNERATION 2012

BOARD OF DIRECTORS OF EBRO FOODS S.A.

1. INTRODUCTION.

Recommendation 40 of the Unified Code of Good Governance of Listed Companies recommends Boards to put to an advisory vote at the Annual General Meeting, as a separate item on the agenda, a report on the directors' remuneration policy.

With the entry into force of the Sustainable Economy Act, this recommendation has become a binding legal obligation for listed companies. Section 61 ter of the Securities Market Act, introduced by that Act, regulates the annual report on directors' emoluments, providing that:

- 1. Together with the Annual Corporate Governance Report, the boards of listed companies shall prepare an annual directors' remuneration report, including full, clear, comprehensible information on the company's remuneration policy approved by the Board for the current year and, if any, the policy established for future years. It shall also include an overview of how the remuneration policy was applied during the year and details of the individual emoluments of each of the directors.*
 - 2. The annual directors' remuneration report, the company's remuneration policy approved by the board for the current year, the policy for future years, the overview of how the remuneration policy was applied during the year and details of the individual emoluments of each of the directors shall be published and put to an advisory vote at the Annual General Meeting of Shareholders, as a separate item on the agenda.*
- .../...
- 5. The Minister of Economy and Finance or, by express authorisation, the National Securities Market Commission, shall define the contents and structure of the directors' remuneration report, which may contain information, among other aspects, on: the amount of non-variable and variable components of remuneration and performance criteria selected for its design, as well as the role played by the Remuneration Committee, if any.*

The contents and structure of the remuneration report have not yet been regulated.

This report is issued in fulfilment of the above-quoted provisions, giving transparency to the remuneration policy applied in the Ebro Foods Group in 2012 and with a view to putting it to an advisory vote by shareholders at the forthcoming Annual General Meeting.

2. INTERNAL PROVISIONS APPLICABLE

The Articles of Association regulate directors' remuneration in Article 22, making a distinction between the share in profits established in the articles and attendance fees corresponding generally to all board members and the remuneration corresponding specifically to executive directors, which may be paid in cash or in kind (shares, contributions to welfare schemes, etc.):

“Article 22: Directors’ Emoluments

When approving the company’s accounts for the previous year, the general meeting shall set aside for the directors a share of two and a half per cent (2.5%) of the consolidated profits attributable to the company, although this sum may only be taken from the company’s net profit for the year and after meeting the legal reserve requirements, setting aside for the shareholders the minimum dividend established in prevailing legislation and meeting all and any other priority assignments required by law. The directors may waive this remuneration, in full or in part, when drawing up the accounts. The board shall distribute the aforesaid sum among its members, annually and at its discretion, according to the duties assumed by each director on the board.

The directors shall also be entitled to a fee for attending meetings of the corporate bodies of the company, the amount of which shall be established every year by the general meeting.

Directors with executive duties in the company shall, regardless of the nature of their legal relationship with the latter, be entitled to remuneration for the performance of such duties, the amount of which shall be decided for each year at the Annual General Meeting. This remuneration may contemplate welfare payments to cover any public/private pension schemes and insurance systems considered necessary or retirement from office.

In addition and independently of the emoluments contemplated in the preceding paragraphs, directors may receive remuneration in the form of shares, stock options or any other system of remuneration indexed to the price of the shares of the company or any other companies in its group. The general meeting shall decide if and when any of these remuneration systems are to be used, pursuant to the form, terms and conditions stipulated in law.

If executive directors waive their share in the profits, as contemplated in the first paragraph of this article, the sums that would correspond to them as a share in the profits of the company will not be distributed among the remaining directors.

In Article 14.3 regarding the Nomination and Remuneration Committee the Regulations of the Board establish that the Committee shall “study, issue reports and submit proposals for the Board on the following matters:

.../...

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

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.*"

As regards the distribution of the share in the profits among the different Board members, according to the duties of each one on the Board and the different Committees, the scale currently in force for 2012 following the latest review agreed by the Board upon recommendation by the Nomination and Remuneration Committee is as follows:

- ❖ Member of the Board of Directors: 1 point
- ❖ Chairman of the Board: 1 point
- ❖ Vice-Chairman of the Board: 0.5 points
- ❖ Member of the Executive Committee: 1 point
- ❖ Committees other than the Executive Committee:
 - For being on the Committee: 0.2 points
 - Chairman of the different committees: 0.05 points per meeting
 - Committee members: 0.03 points per meeting

3. REMUNERATION FOR 2012

3.1. Share in profits. At its meeting on 28 February 2013 and on recommendation of the Nomination and Remuneration Committee, the Board resolved to freeze the share in profits for 2012, with no variation in respect of 2011 and 2010. Consequently, a sum of 2,565,454 euro would be proposed to shareholders at the Annual General Meeting along with a proposal to apply 1.62% of the consolidated net profit attributed to the company in 2012 to such remuneration.

3.2. Attendance fees for committee meetings. The Board further decided to maintain in 2012 the attendance fees of 1,600 euro for attending the Ebro Foods board meetings and 800 euro for attending the different committee meetings, giving a total sum in 2012 of 306,400 euro.

The directors of Ebro Foods, S.A. who are also directors of Deoleo S.A. (a company in which Ebro Foods holds a stake of 9.33%) were paid a total sum of 47,824 euro in 2012 in attendance fees for Deoleo board meetings.

Therefore, the sum total of attendance fees received by directors of Ebro Foods, S.A., in both the parent and the company mentioned above, was 354,224 euro..

No attendance fees are paid to members of corporate bodies in other companies in which Ebro has a shareholding interest and Ebro Foods directors on their boards.

3.3. Executive directors. There is only one executive director, who has the following terms of contract:

- ❖ Term: indefinite
- ❖ Notice: four months
- ❖ Compensation for removal or takeover: none.

The remuneration received by this director in 2012 for his executive duties included the following amounts:

- ❖ Non-variable remuneration: 682,525.05 euro
- ❖ Ordinary annual variable remuneration: proportional to the level of fulfilment of the targets set, such that if those targets are met in full, the director will receive an annual variable remuneration of 100% of his non-variable remuneration, capped at 150%.

After examining the degree to which targets were met in 2012 (EBITDA of the consolidated Ebro Group), the variable remuneration for 2012 was set at 611,377.40 euro.

- ❖ Deferred annual variable remuneration: this is explained in further detail in point 4.3 of this report.

3.4. Supplementary life and retirement insurance. No board members are beneficiaries of supplementary life and retirement insurance.

3.5. Summary. The overall remuneration accrued by Ebro Foods board members in all the group companies amounted to €4,556 thousand in 2012, as shown in the following table, which also shows the figures of the previous year for purposes of comparison (in thousand euro):

DIRECTORS' REMUNERATION AND OTHER EMOLUMENTS

	2012	2011
Pay items		
Attendance fees	354	348
Share in profit	2,565	2,565
Total non-executive directors	2,919	2,913
Wages, salaries & professional fees	1,637	1,331
Compensation & other transfer instruments		
Total executive directors	1,637	1,331
Total remunerations	4,556	4,244
Other emoluments		
Life insurance and retirement schemes	0	0

3.6 Individual remuneration earned by each of the directors (thousand euro):

Director	Bylaw-stipulated profit sharing	Attendance fees	Fees for attending the board meetings of Deoleo, S.A.	Fixed remuneration for executive functions	Variable remuneration for executive functions	Total
Hernández Callejas, Antonio	359.8	23.2	37.6	682	955	2,057.6
Carceller Arce, Demetrio	312.9	28	10.2	0	0	351.1
Alimentos y Aceites, S.A.	149.9	19.2	0	0	0	169.1
Barreiro Seoane, José (Director until 29-05-12)	105.7	12	0	0	0	117.7
Castelló Clemente, Fernando	174.6	28.8	0	0	0	203.4
Comenge Sánchez-Real, José Ignacio	142.8	24	0	0	0	166.8
Daurella Comadrán, Sol	176.1	28.8	0	0	0	204.9
Del Pino y Calvo Sotelo, Leopoldo (Director until 29-11-12)	206.1	20	0	0	0	226.1
Hernández Rodríguez, Blanca	170.9	28.8	0	0	0	199.7
Instituto Hispánico del Arroz, S.A.	134.9	17.6	0	0	0	152.5
Nieto de la Cierva, José	209.9	20.8	0	0	0	230.7
Oetker, Rudolf-August	112.4	17.6	0	0	0	130
Ruiz-Gálvez Priego, Eugenio	142.8	24	0	0	0	166.8
Segurado García, José Antonio (Director since 29-05-12)	166	13.6	0	0	0	179.6
Total	2,565	306	48	682	955	4,556

4. REMUNERATION POLICY FOR COMING YEARS

4.1. Non-variable remuneration. At a meeting held on 28 February 2013 and on recommendation of the Nomination and Remuneration Committee, the Board of Directors agreed to raise the non-variable remuneration of the only director with executive duties by 1% in 2013.

4.2. Ordinary annual variable remuneration. The only target set by the board for assessment in 2013 is the EBITDA of the consolidated group.

The same percentages of non-variable remuneration are maintained (for meeting targets in full and for the cap) as in 2012, i.e. 100% of the variable remuneration for meeting the budgeted EBITDA, capped at 150% if the EBITDA is 115% of that budgeted, and with a minimum of 85% of the budgeted EBITDA, below which no variable remuneration will be payable.

4.3. Deferred annual variable remuneration. On 1 June 2010, on recommendation of the Nomination and Remuneration Committee, the board of directors of Ebro Foods, S.A. approved a Deferred Annual Bonus Regime linked to fulfilment of the Strategic Plan 2010-2012 for the senior management of the Ebro Foods Group, including executive directors.

This deferred annual bonus regime is in keeping with the proposed amendment of the Unified Code of Corporate Governance submitted by the National Securities Market Commission on 17 December 2009, to incorporate the Commission Recommendation of 30 April 2009 complementing Recommendations 2004/913/EC and 2005/162/EC as regards the regime for the remuneration of directors of listed companies.

The performance criteria to which the deferred bonus is linked are:

- ❖ The annual EBITDA and ROCE for 2010 and 2011.
- ❖ EBITDA, ROCE and acquisitions in the three-year period for 2012.

The deferred annual bonus will not accrue or be payable until eleven months after it has been decided in view of the financial results of each year.

The only director with executive duties at present is entitled to a deferred annual bonus proportional to the degree to which the set targets have been met, such that if the budgeted EBITDA and ROCE are met entirely, he will be entitled to 100% of the bonus, capped at 125% of the budgeted targets (above which the deferred annual variable bonus will not be raised) and with a minimum of 85% of the budgeted targets (below which no bonus will accrue).

The targets set for 2010, 2011 and 2012 have been quantified at the following amounts:

- ❖ 2010: 343 thousand euro, 15% of the remuneration for the 3-year period, for which a provision was recognised in the 2010 accounts and which was paid in 2012.
- ❖ 2011: 271 thousand euro, 15% of the remuneration for the 3-year period, for which a provision was recognised in the 2011 accounts and which was paid in 2013.
- ❖ 2012: 1,297 thousand euro, 70% of the remuneration for the 3-year period, for which a provision was recognised in the 2012 accounts and which will be payable in 2014.

The deferred annual bonus regime described above is not linked to the value of the Ebro Foods share, nor does it entail receipt by its beneficiaries of any shares or rights thereover.

Apart from the foregoing, at the date of issuing this report the board has not adopted any other resolutions concerning remuneration referring to or affecting future years.

5. OTHER INFORMATION

The company has not granted any loans or advances to board members or contracted any obligations on their behalf through guarantees or bonds.

At present, in general, none of the existing remuneration policies established for board members contemplates the delivery of shares in the company or its subsidiaries.

Finally, shareholders are advised that Garrigues Human Capital Services counselled the company in the preparation of the deferred annual bonus regime linked to fulfilment of the Ebro Foods Group Strategic Plan 2010-2012, no further collaboration having been received from any other external consultant on the subjects contemplated in this report.

This is the Report drawn up by the Board of Directors of Ebro Foods, S.A. in pursuance of s. 61 ter of the Securities Market Act and following the recommendations of the Unified Code of Good Governance of Listed Companies, issuing instructions for it to be made available to the company's shareholders along with the other documents and information provided for the forthcoming Annual General Meeting of Ebro Foods, S.A. This Report is issued on 21 March 2013.