

# **REPORT ON THE DIRECTORS' REMUNERATION POLICY**

**2010**

## **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.*

This report is issued in fulfilment of the above-quoted provisions, giving transparency to the remuneration policy applied in the Ebro Foods Group in 2010 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 relationship of the executive directors 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.*

...

- f) *Supervision of the Top Management remuneration and incentives policy, obtaining information and reporting on the criteria followed by the Company’s subsidiaries in this respect.”*

As regards distribution of the share established in the articles among the different board members, taking account of the duties performed by each one on the Board and in the different Committees, the scale currently in force for 2010, following the latest review made by the board on recommendation of the Nomination and Remuneration Committee, is as follows:

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

### **3. Remuneration for 2010**

3.1 Share in profits. At its meeting on 28 February 2011 and on recommendation of the Nomination and Remuneration Committee, the Board resolved to set the share corresponding to the Chairman and executive directors in the 2010 profits at 2,565,454 euro and, consequently, to put to shareholders at the Annual General Meeting a proposal to apply 0.66% of the consolidated net profit attributed to the company in 2010 to such remuneration.

3.2. Attendance fees for committee meetings. The Board further decided to maintain in 2010 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 2010 of 347,400 euro).

Attendance fees for board meetings of a Group subsidiary during 2010 were set at 700 euro. Consequently, those directors of Ebro Foods, S.A. who are also directors of the subsidiary were paid a total sum of 7,700 euro in 2010.

Therefore, the sum total of fees received by the directors of Ebro Foods, S.A., in both the parent company and the subsidiary, was 355,100 euro in 2010.

No attendance fees are paid to board members in other subsidiaries of the Group.

3.3. Executive directors. These directors render their services under contracts having a number of common aspects:

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

Executive directors were paid the following remuneration in 2010:

- Non-variable remuneration: 1,611,753 euro

- Variable remuneration: After examining the degree to which targets have been met (50% corresponding to EBITDA and 50% to average current assets, both targets weighted at 100% in consolidated terms for directors with executive duties in the parent company, 20% for consolidated targets and 80% for those of a specific business for one director performing executive duties in the subsidiary Herba), the Board approved the sum of 1,392,983 euro.
- No board member is beneficiary of supplementary life and retirement insurance.

3.4. Summary table. The overall remuneration accrued by Ebro Foods, S.A. board members in all the group companies amounted to 6,361 thousand euro in 2010, with the following breakdown, which also shows the figures of the previous year for purposes of comparison (in thousand euro):

<b>DIRECTORS' EMOLUMENTS AND OTHER BENEFITS</b>	<b>2010</b>	<b>2009</b>
<b>EMOLUMENTS</b>		
Attendance fees	355	300
Share in profits	2,565	2,332
<b>Total non-executive directors</b>	<b>2,920</b>	<b>2,632</b>
Wages, Salaries and Professional Fees	3,441	7,298
Compensation and other transfer instruments		
<b>Total executive directors</b>	<b>3,441</b>	<b>7,298</b>
<b>TOTAL EMOLUMENTS</b>	<b>6,361</b>	<b>9,930</b>
<b>OTHER BENEFITS</b>		
Life and retirement insurance	<b>0</b>	<b>52</b>

3.5 Details of the individual emoluments of each of the directors:

<b>DIRECTOR</b>	<b>SHARE STIPULATED IN ARTICLES</b>	<b>ATTENDANCE FEES</b>	<b>FEES FOR ATTENDING BOARD MEETINGS IN OTHER GROUP COMPANIES</b>	<b>REMUNERATION FOR EXECUTIVE DUTIES</b>	<b>TOTAL</b>
A.HERNANDEZ	352	26	3.5	1,320	1,702
J.CARBO	0	0	0	1,603	1,603
F.HERNANDEZ	0	9	1.5	518	529
HISPARROZ	123	11	0	0	134
CAJA ESPAÑA	75	15	0	0	90
E.RUIZ GALVEZ	127	24	0	0	151
CAJA DUERO	154	21	0	0	175
J. NIETO	39	8	0	0	47
J. I. COMENGE	145	27	0	0	172
L. DEL PINO	242	26	1.5	0	269
F. CASTELLO	170	31	0	0	201
ALICESA	174	24	0	0	198
J. BARREIRO	289	27	0	0	316
B. HERNANDEZ	170	31	0	0	201
J. D. ORTEGA	73	12	0	0	85
DAMM	0	14	0	0	15

D. CARCELLER	271	15	1.5	0	286
A. OETKER	64	11	0	0	75
S. DAURELLA	97	15	0	0	112
<b>TOTAL</b>	<b>2,565</b>	<b>347</b>	<b>8</b>	<b>3,441</b>	<b>6,361</b>

#### **4. Remuneration policy for future years**

At a meeting held on 1 June 2010 and 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 top management of the Ebro Foods Group, including executive directors.

This deferred annual bonus regime corresponds to the proposed modification of the Unified Code of Corporate Governance presented 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 deferred bonus will depend on whether the regime targets are met, these being:

- Annual EBITDA and ROCE for 2010 and 2011.
- EBITDA, ROCE and acquisitions of the 3-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. Accordingly, the deferred annual bonus for 2010 will not be received until the spring of 2012, the 2011 remuneration in spring 2013 and the 2012 remuneration in spring 2014.

The deferred annual bonus regime is not linked to the value of the Ebro Foods share or affected by the perception by beneficiaries of shares or any other right thereover.

In 2010, of the total remuneration of the executive directors, amounting to 3,441 thousand euro, 437 thousand euro correspond to the early settlement of the deferred annual bonus of the director Jaime Carbó Fernández. In addition, the 2010 accounts include provisions in a sum of 445 thousand euro as the provisional estimate of this regime for that year, payable in spring 2012.

At the date of this report, the board has not adopted any other resolutions on 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.

The only exception to this is the Share Delivery Remuneration Plan for Executives of the Ebro Foods Group approved by the board of directors on 1 June 2010, under which Jaime Carbó Fernández was allotted shares in Ebro Foods, S.A. for a value of 11,981.08 euro; this was not an effective increase in his remuneration since, in

accordance with the conditions of that Plan and as authorised by the General Meeting on 1 June 2010, the aforesaid amount was deducted from his monetary remuneration.

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.

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This is the Report drawn up by the Board of Directors of Ebro Foods, S.A. 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 27 April 2011.