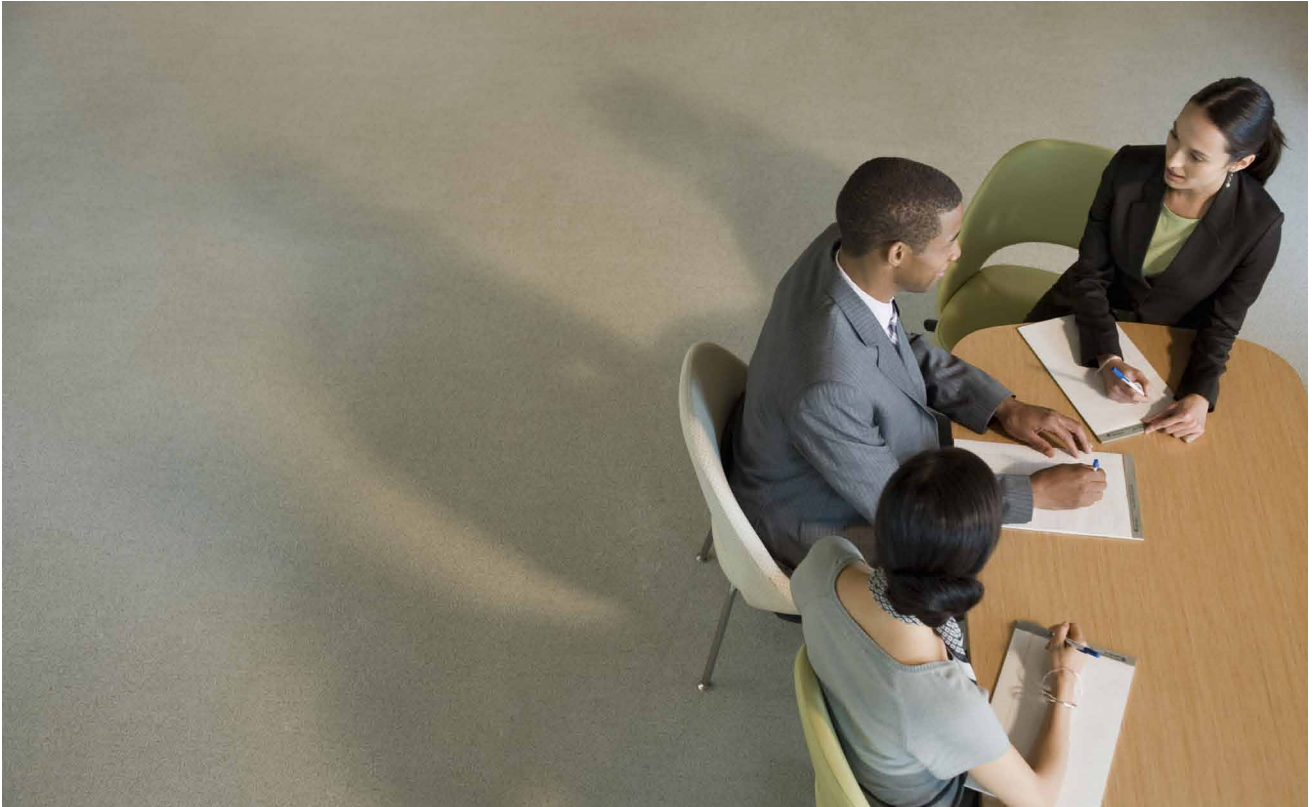




# CORPORATE GOVERNANCE

## EBRO FOODS, S.A.



- 8.1 Annual Corporate Governance Report
- 8.2 Annual Report on Remuneration
- 8.3 Report of the Audit and Compliance Committee





# **ANNUAL CORPORATE GOVERNANCE REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

## ANNEX 1

### ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

#### DETAILS OF ISSUER

<b>YEAR ENDED</b>	31/12/2014
<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 (%)
CORPORACIÓN FINANCIERA ALBA, S.A.	0	15,400,000	10.01%
JUAN LUIS GÓMEZ-TRENOR FOS	0	10,924,443	7.10%
SOCIEDAD ANÓNIMA DAMM	0	15,426,438	10.03%
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
CORPORACIÓN FINANCIERA ALBA, S.A.	ALBA PARTICIPACIONES, S.A.	15,400,000
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
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
ANTONIO HERNÁNDEZ CALLEJAS	30	0	0.00%
ALIMENTOS Y ACEITES, S.A.	15,940,377	0	10.36%
FERNANDO CASTELLÓ CLEMENTE	2,307,828	0	1.50%
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	3,030	3,080,000	2.00%
EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.	10,707,282	0	6.96%

Name of director	Number of direct voting rights	Number of indirect voting rights	% of total voting rights held
HISPAFOODS INVEST, S.L.	13,790,336	10,707,282	15.92%
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	8,969	2,044	0.01%
JOSÉ NIETO DE LA CIERVA	30	0	0.00%
EUGENIO RUIZ-GÁLVEZ PRIEGO	153	0	0.00%
JOSÉ ANTONIO SEGURADO GARCÍA	100	0	0.00%

Name of indirect holder of the interest	Through: Name of direct holder of the interest	Number of direct voting rights
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	LA FUENTE SALADA, S.L.	3,080,000
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	HISPAFOODS INVEST, S.L.	10,707,282
JOSÉ NIETO DE LA CIERVA	M <sup>a</sup> MACARENA AGUIRRE GALATAS	2,044

<b>Total % of voting rights held by board members</b>	36.89%
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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.: direct interest of 99.995% and indirect interest of 0.005% through Valvega, S.L.

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

**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:

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 (%)
19,463	0	0.02%

(\*) Through:

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

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 15 June 2011 resolved, under item five 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

Authorisation to the Board of Directors to buy back own shares and authorisation of subsidiaries to acquire shares in the parent company, by purchase or on any other payment basis, on one or several occasions, subject to the limits and other requisites stipulated in sections 146, 509 and other applicable provisions of the Corporate Enterprises Act:

- The par value of the shares acquired directly or indirectly, when added to the par value of any shares already held by the company and its subsidiaries, may not at any time exceed 10% of the capital.

- The acquisition, including any shares that the company, or any person acting in his own name but on behalf of the company, has acquired earlier and holds as treasury stock, does not reduce the equity to below the amount of capital plus legal or statutory undistributable reserves. For this purpose, equity shall be the amount calculated as such according to the criteria for drawing up the annual accounts, less any profits attributed directly thereto and plus any uncalled subscribed capital and the par value and share premiums of any subscribed capital that is accounted for as liabilities.

- The shares acquired must be fully paid up.

- The minimum and maximum price of the acquisition must be equivalent to the par value of the own shares bought back and their market price on an official secondary market, respectively, at the time of purchase.

b. Contents of the authorisation

- Authorisation of the Board to buy back own shares, by virtue of a direct decision or through delegation to the Executive Committee or such person or persons as the Board may authorise for this purpose, to hold those shares as treasury stock, dispose of them or, as the case may be, propose their redemption to the General Meeting, subject to the limits stipulated in law and the conditions established in this resolution. The authorisation is extended to the possibility of buying back own shares for delivery directly to employees or directors of the company or its group, on one or several occasions, or upon exercise of any stock options that they may hold, pursuant to s. 146.1(a), paragraph 3, of the Corporate Enterprises Act.

- Authorisation of the Board to reduce the capital in order to redeem shares bought back by the company or acquired by any of the companies in its group, against the capital (for their par value) and unappropriated reserves (for the amount of their acquisition in excess of that par value), in such amounts as may be deemed fit from time to time, up to the maximum of the own shares held from time to time.

- Delegation to the Board to execute the resolution to reduce the capital, so that it may do so on one or several occasions or decline to do so, within a period not exceeding 5 years from the date of this General Meeting, taking whatsoever actions may be necessary for this purpose or required by prevailing legislation.

c. Term of the authorisation

- The authorisations are granted for a maximum of five years from the date of the General Meeting.

The resolutions transcribed rendered null and void the corresponding resolutions adopted at the General Meeting held on 1 June 2010 and remain in force, not having been since revoked.

**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	
04/06/2013	1.71%	63.69%	0.00%	0.00%	65.40%
04/06/2014	5.29%	65.67%	0.00%	0.00%	70.96%

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 State whether it has been ruled that certain decisions which entail a structural modification of the company (spin-offs, sale and purchase of essential operating assets, transactions equivalent to liquidation of the company...) are to be laid before the general meeting for approval even though this is not expressly required under commercial law.

YES  NO

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

The corporate website of Ebro Foods, <http://www.ebrofoods.es>, is set up as a vehicle of continuous, up-to-date information for the company’s stakeholders and the financial market in general.

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

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

<http://www.ebrofoods.es/informacion-para-accionistas-e-inversores/gobierno-corporativo/reglamento-de-la-junta-general/> or:  
<http://www.ebrofoods.es/information-for-shareholders-and-investors/corporate-governance/regulations-of-the-general-meeting/>

And within that Corporate Governance section we can find all the information that the company makes available to shareholders for general meetings, specifically at <http://www.ebrofoods.es/informacion-para-accionistas-e-inversores/gobierno-corporativo/junta-general-de-accionistas/> (or: <http://www.ebrofoods.es/information-for-shareholders-and-investors/corporate-governance/general-meeting/>). There is also a direct link to the General Meeting of the current 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
- Shareholders’ Agreements
- Regulations of the Board
- Board of Directors
- Corporate Governance Report
- Report on the Remuneration Policy for Directors
- Code of Conduct

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 downloading of the required information.

The corporate website has been set up in several languages.

## **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:

<b>Name of director</b>	<b>Representative</b>	<b>Position on Board</b>	<b>Date first appointment</b>	<b>Date latest appointment</b>	<b>Election procedure</b>
ANTONIO HERNÁNDEZ CALLEJAS		CHAIRMAN	24/01/2002	04/06/2014	RESOLUTION PASSED AT AGM
DEMETRIO CARCELLER ARCE		VICE-CHAIRMAN	01/06/2010	04/06/2014	RESOLUTION PASSED AT AGM
ALIMENTOS Y ACEITES, S.A.	CONCEPCIÓN ORDÍZ FUERTES	DIRECTOR	23/07/2004	04/06/2014	RESOLUTION PASSED AT AGM
FERNANDO CASTELLÓ CLEMENTE		DIRECTOR	29/05/2012	04/06/2014	RESOLUTION PASSED AT AGM

JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL		DIRECTOR	29/05/2012	04/06/2014	RESOLUTION PASSED AT AGM
EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.	JUAN LUIS GÓMEZ-TRENOR FOS	DIRECTOR	18/12/2013	04/06/2014	RESOLUTION PASSED AT AGM
HISPAFOODS INVEST, S.L.	MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ	DIRECTOR	30/01/2013	04/06/2014	RESOLUTION PASSED AT AGM
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	FÉLIX HERNÁNDEZ CALLEJAS	DIRECTOR	01/06/2010	04/06/2014	RESOLUTION PASSED AT AGM
JOSÉ NIETO DE LA CIERVA		DIRECTOR	29/09/2010	04/06/2014	RESOLUTION PASSED AT AGM
RUDOLF-AUGUST OETKER		DIRECTOR	01/06/2010	04/06/2014	RESOLUTION PASSED AT AGM
EUGENIO RUIZ-GÁLVEZ PRIEGO		DIRECTOR	25/07/2000	04/06/2014	RESOLUTION PASSED AT AGM
JOSÉ ANTONIO SEGURADO GARCÍA		DIRECTOR	29/05/2012	04/06/2014	RESOLUTION PASSED AT AGM

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

Name of director	Type of director at time of retirement	Date of retirement
SOL DAURELLA COMADRÁN	Independent	01/12/2014

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

### **EXECUTIVE DIRECTORS**

Name of Director	Committee proposing appointment	Position in company's organisation
ANTONIO HERNÁNDEZ CALLEJAS	NOMINATION AND REMUNERATION COMMITTEE	CHAIRMAN

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

## **NON-EXECUTIVE PROPRIETARY DIRECTORS**

Name of Director	Committee proposing appointment	Name of significant shareholder represented or that proposed appointment
ALIMENTOS Y ACEITES, S.A.	NOMINATION AND REMUNERATION COMMITTEE	SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES
DEMETRIO CARCELLER ARCE	NOMINATION AND REMUNERATION COMMITTEE	SOCIEDAD ANÓNIMA DAMM
EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.	NOMINATION AND REMUNERATION COMMITTEE	JUAN LUIS GÓMEZ-TRENOR FOS
HISPAFOODS INVEST, S.L.	NOMINATION AND REMUNERATION COMMITTEE	INSTITUTO HISPÁNICO DEL ARROZ, S.A.
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	NOMINATION AND REMUNERATION COMMITTEE	INSTITUTO HISPÁNICO DEL ARROZ, S.A.
JOSÉ NIETO DE LA CIERVA	NOMINATION AND REMUNERATION COMMITTEE	CORPORACIÓN FINANCIERA ALBA, S.A.
RUDOLF-AUGUST OETKER	NOMINATION AND REMUNERATION COMMITTEE	SOCIEDAD ANÓNIMA DAMM

<b>Total number of proprietary directors</b>	7
<b>% of board</b>	58.33%

## **NON-EXECUTIVE INDEPENDENT DIRECTORS**

### **Name of Director**

FERNANDO CASTELLÓ CLEMENTE

#### **Profile**

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

### **Name of Director**

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.

### **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 and Executive Committee 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.



<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**

<b>Name of Director</b>	<b>Committee proposing appointment</b>
EUGENIO RUIZ-GÁLVEZ PRIEGO	NOMINATION AND REMUNERATION COMMITTEE

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

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 is related**

EBRO FOODS, S.A.

**Profile**

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 12 years in succession.

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:

	<b>Number of female directors</b>				<b>Female directors / total directors of each type (%)</b>			
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Executive</b>	0	0	0	0	0.00%	0.00%	0.00%	0.00%
<b>Proprietary</b>	2	2	1	1	28.57%	28.57%	16.67%	14.29%
<b>Independent</b>	0	1	1	1	0.00%	25.00%	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	3	2	2	16.67%	23.08%	16.67%	15.38%

- 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**

Notwithstanding any that may be decided on in the future by the Nomination and Remuneration Committee under the Corporate Enterprises Act as amended by Act 31/2014 of 3 December, no measures of this nature have been adopted because the board members are appointed regardless of gender, so there is no positive or negative discrimination of any nature in the election of directors.

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

**Explanation of measures**

No measures of this nature have been adopted for the reason 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**

Although the number of female directors has been reduced to two following the resignation of one of them as of 1 December 2014, all appointments of new directors in the future will take into account the prevailing legal provisions.

- 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 5% 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:

**Name of director:**  
SOL DAURELLA COMADRÁN

**Reason for retirement:**

Professional reasons notified as of 1 December 2014 in a letter addressed to each of the Board members.

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
ANTONIO HERNÁNDEZ CALLEJAS	VOGAN, LTD	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	JOSEPH HEAP PROPERTY, LTD	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	JOSEPH HEAP&SONS, LTD	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	A W MELLISH, LTD	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	ANGLO AUSTRALIAN RICE LIMITED	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	SOS CUETARA USA, INC	CHAIRMAN
ANTONIO HERNÁNDEZ CALLEJAS	NEW WORLD PASTA COMPANY	CHAIRMAN
ANTONIO HERNÁNDEZ CALLEJAS	EBRO AMERICA, INC.	CHAIRMAN
ANTONIO HERNÁNDEZ CALLEJAS	HEAP COMET, LTD	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	RIVIANA FOODS, INC.	CHAIRMAN
ANTONIO HERNÁNDEZ CALLEJAS	AMERICAN RICE, INC.	CHAIRMAN
ANTONIO HERNÁNDEZ CALLEJAS	N&C BOOST, N.V.	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	BOOST NUTRITION, C.V.	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	BOSTO PANZANI BENILUX, N.V.	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	BLUE RIBBON MILLS, INC.	CHAIRMAN
ANTONIO HERNÁNDEZ CALLEJAS	EBRO FOODS, GMBH	JOINT & SEVERAL DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	T.A.G. NAHRUNGSMITTEL, GMBH	JOINT & SEVERAL DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	BERTOLINI IMPORT UND EXPORT, GMBH	JOINT & SEVERAL DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	HERBA GERMANY, GMBH	JOINT & SEVERAL DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	PANZANI, S.A.S.	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	S&B HERBA FOODS, LTD	DIRECTOR

Name of director	Name of Group company	Position
ANTONIO HERNÁNDEZ CALLEJAS	ARROZEIRAS MUNDIARROZ. S.A.	CHAIRMAN
ANTONIO HERNÁNDEZ CALLEJAS	PASTIFICIO LUCIO GAROFAO, S.P.A.	DIRECTOR

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

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

YES  NO

Explanation of the rules
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Article 25 of the Regulations of the Board (“General Duties of Directors”) provides in section 1 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 Indicate the company policies and general strategies that must be approved by the full Board:

	Yes	No
Investment and financing policy	X	
Definition of the structure of the group of companies	X	
Corporate governance policy	X	
Corporate social responsibility policy	X	
Strategic or business plan, annual management objectives and budget	X	
Pay policy and performance rating of senior executives	X	
Risk management and control policy and regular monitoring of internal reporting and control systems	X	
Dividend policy, treasury stock policy and, in particular, the limits established	X	



C.1.15 Indicate the overall remuneration of the board:

<b>Remuneration of the board (thousand euros)</b>	5,561
<b>Amount of the overall remuneration corresponding to the vested rights of directors in pension schemes (thousand euros)</b>	0
<b>Overall remuneration of the board (thousand euros)</b>	5,561

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:

<b>Name</b>	<b>Position</b>
PABLO ALBENDEA SOLÍS	CHIEF OPERATING OFFICER
LEONARDO ÁLVAREZ ARIAS	MANAGER I.T.
ANA MARÍA ANTEQUERA PARDO	MANAGER COMMUNICATIONS
YOLANDA DE LA MORENA CEREZO	VICE-SECRETARY
JESÚS DE ZABALA BAZÁN	MANAGER INTERNAL AUDIT
ALFONSO FUERTES BARRÓ	FINANCE MANAGER
MANUEL GONZÁLEZ DE LUNA	MANAGER INVESTOR RELATIONS AND FINANCIAL INSTITUTIONS
LUIS PEÑA PAZOS	SECRETARY
GABRIEL SOLÍS PABLOS	TAX MANAGER
<b>Total remuneration top management (thousand euro)</b>	2,189

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:

<b>Name of director</b>	<b>Name of significant shareholder</b>	<b>Position</b>
DEMETRIO CARCELLER ARCE	SOCIEDAD ANÓNIMA DAMM	CHAIRMAN
JOSÉ NIETO DE LA CIERVA	CORPORACIÓN FINANCIERA ALBA, S.A.	DIRECTOR
RUDOLF-AUGUST OETKER	SOCIEDAD ANÓNIMA DAMM	DIRECTOR
EUGENIO RUIZ-GÁLVEZ PRIEGO	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. with a direct interest of 99.995% and an indirect interest of 0.005%. He 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

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 appointment, re-election and removal of the directors are regulated in Articles 19, 20 and 25 of the Articles of Association and Articles 5, 21, 23, 24 and 33.1 of the Regulations of 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 appoint directors by cooptation, subject to a report by the Nomination and Remuneration Committee. 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 section C.2.4 of this Report and Explanatory Note Eight in section H.

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 Board regularly rates the Directors on their efficiency and fulfilment of their obligations, requesting the corresponding reports from its Committees, and if considered necessary it may propose 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 Indicate whether the board has made any assessment of its activity during the reporting period.

YES  NO

If yes, explain to what extent the self-assessment has given rise to major changes in its internal organisation and the procedures applicable to its activities:

Description of modifications
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It has not given rise to any change.

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

The retirement and resignation of directors are regulated in Article 24 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 interests.

The Board of Directors shall propose to the General Meeting of Shareholders that a Director be removed if one of the circumstances described above occurs and the Director fails to tender his resignation.

C.1.22 Explain whether the Chairman of the Board is the highest executive of the company. If so, state what measures have been adopted to limit the risks of any single person having unfettered powers:

YES  NO

**Measures taken to limit risks**

With a view to establishing corrective measures in the Articles of Association to prevent excessive concentration of power in the Chairman when he is also the most senior executive of the company, Article 25 creates the figure of a Vice-Chairman appointed from among the non-executive directors to boost the management supervision and control duties.

José Antonio Segurado García was appointed Lead Independent Director on 29 January 2015 and has since then been performing the aforesaid duties.

Up to then and in accordance with this provision, the current Vice-Chairman of the Board, Demetrio Carceller Arce (non-executive proprietary director), had been performing those duties.

Indicate and if appropriate explain whether rules have been established authorising one of the independent directors to request the calling of a board meeting or the inclusion of new items on the agenda, to coordinate and echo the concerns of non-executive directors and to direct the assessment by the board.

YES  NO

**Explanation of the rules**

The Regulations of the Board specify the events in which directors may request the calling of a board meeting or inclusion of items on the agenda; this power is not limited to independent directors.

Article 9.2 of the Regulations establishes that one-third of the board members may, no less than six days prior to the scheduled date of the Board meeting, request the inclusion of any items they believe ought to be transacted.

Article 9.5 of the Regulations states that the board may discuss and resolve on issues included on the agenda and any others that all the directors present and represented agree to transact.

Article 25.2.b) stipulates that Directors shall also request meetings of the corporate bodies to which they belong whenever they consider this necessary in the interests of the Company, proposing whatever items they think should be included on the agenda.

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Finally, Article 33.1 provides that if the Chairman of the Board is also the chief executive of the company, a Vice-Chairman must be appointed from among the non-executive directors with the power to request the calling of a board meeting or the inclusion of new items on the agenda, who may organise meetings to coordinate non-executive directors and will direct the Chairman performance rating. If no Vice-Chairman is appointed, the Board shall authorise an independent director to perform those duties.

At present José Antonio Segurado García, as Lead Independent Director, is authorised to request the calling of a board meeting or the inclusion of new items on the agenda of a meeting that has already been called, coordinate and call meetings of the non-executive directors and, if appropriate, direct the periodical performance rating of the Chairman.

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>
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All.

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 it is compulsory to delegate to a director of the same type? If yes, include a brief description.

Both the Articles of Association (Article 24) and the Regulations of the Board (Article 10) 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, in favour of another director.

The represented director may issue specific instructions on how to vote on any or all of the items on the agenda.

Following the amendment of the Corporate Enterprises Act by Act 31/2014 of 3 December, non-executive directors may only grant proxies in favour of another non-executive director.



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

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

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

<b>Committee</b>	<b>No. meetings</b>
EXECUTIVE COMMITTEE	6
AUDIT AND COMPLIANCE COMMITTEE	6
NOMINATION AND REMUNERATION COMMITTEE	5
STRATEGY AND INVESTMENT COMMITTEE	0

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

<b>Attendance of directors</b>	11
<b>% attendance over total votes during the year</b>	100.00%

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 19 of the Regulations of the Board. Article 19.2 stipulates that 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 7.1 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 13.3 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).

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

YES  NO

C.1.34 Explain the procedure for appointment and removal of the Secretary of the Board, indicating whether the Nomination Committee has issued a report for such appointment and removal and whether they were approved by the full board.

**Appointment and removal procedure**

The Secretary of the Board may or may not be a director and is appointed by the Board upon recommendation by the Nomination and Remuneration Committee, after ensuring that his/her professional profile is adequate to guarantee the best performance of the duties corresponding to this position by law, the Articles of Association and Regulations of the Board.

The company has not established any procedure for removal of the Secretary of the Board other than that stipulated in law, although Article 24.3 of the Regulations of the Board submits the Secretary, regardless of whether or not he/she is also a director, to the same obligations as the directors of explaining to all the Board members the reasons for retirement or resignation prior to the end of his/her term of office.

	Yes	No
<b>Does the Nomination Committee issue a report on the appointment?</b>	<b>X</b>	
<b>Does the Nomination Committee issue a report on the removal?</b>	<b>X</b>	
<b>Does the full Board approve the appointment?</b>	<b>X</b>	
<b>Does the full Board approve the removal?</b>	<b>X</b>	

Is the Secretary of the Board responsible especially for overseeing compliance with the recommendations on good governance?

YES                          NO   

**Comments**

Article 35.2 of the Regulations of the Board provides that in addition to the duties assigned by law and the Articles of Association, the Secretary of the Board shall, in particular:

a) Ensure that the Board's actions:

- Conform to the text and spirit of the laws and statutory instruments, including those approved by the watchdogs.
- Conform to the company Articles of Association and the Regulations of the General Meeting, the Board and any other regulations the company may have.
- Take account of the recommendations on good governance accepted by the company.

b) Keep all company documents, duly record the proceedings of meetings in the corresponding minute books and certify the resolutions of those corporate bodies of which he/she is Secretary.

c) Channel, generally, the Company's relations with Directors in all matters concerning the functioning of the Board and the Committees he/she is on, following the instructions of the respective Chairman.

d) Implement and facilitate exercise by the Directors of their right to information on the terms stipulated in these Regulations.

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

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, and receive information from and exchange communications with the auditors in accordance with prevailing auditing standards and legislation.

Article 19 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 28.2 of the Articles of Association and Article 13.3 of the Regulations of the Board establish the following powers of the Audit and Compliance Committee in this respect:

- Propose to the Board, for submission to the General Meeting, the appointment of the external auditors and (i) their terms of contract, (ii) the scope of their commission and (iii) the renewal or revocation of their engagement.

- Ensure the independence of the auditors and the existence of a discussion procedure enabling the external auditors, the internal auditors and any other expert to notify the company of any significant weaknesses in internal control detected during the auditing of the annual accounts or any others in respect of which they may have acted.

- Issue a report annually, prior to issuance of the auditors' report, stating an opinion on the independence of the external auditors and pronouncing on the rendering of additional services.

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

YES  NO

Outgoing Auditor	Incoming Auditor
Deloitte, S.L.	Ernst & Young, S.L.

Explain any disagreements with the outgoing auditor:

YES  NO

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>	260	138	398
<b>Cost of work other than auditing / Total amount invoiced by the auditors (%)</b>	65.80%	12.30%	26.20%

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>	1	1
<b>Number of years audited by current auditors / Number of years that the company has been audited (%)</b>	4.20%	4.20%

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 30 of the Regulations of the Board, which provides in 30.2 that:

a. Any Director may, in the course of any specific duties commissioned to him 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 he may consider necessary, in order to assist him in the performance of his duties, provided such counselling is justified to resolve specific problems that are particularly complex and important.

b. Considering the circumstances of the specific case, the Chairman may (i) 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; and (ii) put the proposal to the Board, which may refuse to finance the counselling if it considers it unnecessary for discharging the duties commissioned, or out of proportion with the importance of the matter, or if it 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 25.2 a) of the Regulations of the Board establishes the duty of directors to request the necessary information to adequately prepare Board and Committee meetings.

Articles 9.1 and 9.3 of the Regulations of the Board in turn establish that (i) directors shall receive information at Board meetings on the most important aspects of corporate management, any foreseeable risk situations for the company and its subsidiaries and the actions proposed by the senior management in respect thereof; and (ii) whenever possible, any necessary information relating to the items on the agenda shall be sent to the Directors together with the notice of call.

The procedure for informing directors is regulated in Article 30.1 of the Regulations of the Board, which provides that whenever so required in the performance of their duties, directors shall have the fullest powers to obtain information on any corporate affairs, 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 22 of the Regulations of the Board, which regulates the incompatibilities of directors and establishes their obligations in respect of no competition, conflicts of interest and related-party transactions, also expressly stipulates that if a director is sued or tried for any of the offences contemplated in the applicable laws, the Board shall examine the case as soon as possible and decide, in consideration of the specific circumstances, whether or not the Director in question should remain in office, including a reasoned account in the Annual Corporate Governance Report.



C.1.43 Has any member of the Board informed the company that he/she has 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:**

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.

There are no agreements of this type and the circumstances have not arisen.

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 Workers' Statute.

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>
ANTONIO HERNÁNDEZ CALLEJAS	CHAIRMAN	Executive
DEMETRIO CARCELLER ARCE	VICE CHAIRMAN	Proprietary
JOSÉ NIETO DE LA CIERVA	MEMBER	Proprietary
JOSÉ ANTONIO SEGURADO GARCÍA	MEMBER	Independent

<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%

### **AUDIT AND COMPLIANCE COMMITTEE**

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

<b>% executive directors</b>	0.00%
<b>% proprietary directors</b>	25.00%
<b>% independent directors</b>	50.00%
<b>% other non-executive directors</b>	25.00%

### **NOMINATION AND REMUNERATION COMMITTEE**

<b>Name</b>	<b>Position</b>	<b>Type</b>
FERNANDO CASTELLÓ CLEMENTE	CHAIRMAN	Independent
DEMETRIO CARCELLER ARCE	MEMBER	Proprietary
HISPAFOODS INVEST, S.L.	MEMBER	Proprietary
JOSÉ ANTONIO SEGURADO GARCÍA	MEMBER	Independent

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

## STRATEGY AND INVESTMENT COMMITTEE

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

% executive directors	25.00%
% proprietary directors	75.00%
% independent directors	0.00%
% other non-executive directors	0.00%

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							
			2013		2012		2011	
	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%	2	40.00%	2	40.00%	2	50.00%
NOMINATION AND REMUNERATION COMMITTEE	1	25.00%	2	40.00%	2	40.00%	2	50.00%
STRATEGY AND INVESTMENT COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%

C.2.3 State whether the Audit Committee has the following duties:

	Yes	No
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	X	
Regularly check the internal risk management and control systems, ensuring that the principal risks are adequately identified, managed and reported	X	
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; receive regular information on its activities; and check that the top management heeds the conclusions and recommendations set out in its reports	X	
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	X	
Submit to the Board proposals for nomination, appointment, re-appointment and replacement of external auditor, and terms of engagement	X	
Receive regularly from the external auditor information on the audit plan and the outcome of its fulfilment and see that top management heeds its recommendations	X	
Guarantee the independence of the external auditor	X	

#### C.2.4 Describe the rules of organisation and procedure and the responsibilities attributed to each Committee.

**EXECUTIVE COMMITTEE.** This Committee has a maximum of 7 members, including the Chairman (who chairs the committee) and the Vice-Chairman of the Board. The committee generally holds one meeting a month. Whenever, in the opinion of the Chairman or 3 of its members, circumstances so require, the resolutions adopted by the Committee are submitted to the Board for ratification. This also applies to any issues which the Board has delegated to the Committee to study, reserving for itself the final decision on the matter. The Committee is responsible for monitoring and overseeing compliance with the guidelines on strategy and corporate development, preparing the annual budget and controlling the business management of the company, ensuring adequate coordination of subsidiaries in their common interests and those of the company.

**AUDIT COMMITTEE.** This Committee has a minimum of 3 and a maximum of 5 non-executive directors. The Chairman must be an independent director and must be replaced every four years, becoming eligible for re-election one year after his retirement as such. The Committee is responsible for ensuring 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; that the external auditors and internal audit manager are selected on the basis of professional, objective criteria, guaranteeing their independence in the performance of their duties; informing the board on any related party transactions submitted for its consideration; controlling possible conflicts of interest; and making sure, in general, that the company's reporting, particularly financial reporting, complies with the principle of truth and maximum transparency for shareholders and markets.

**NOMINATION AND REMUNERATION COMMITTEE.** This Committee has a minimum of 3 and a maximum of 5 non-executive directors and its chairman must be an independent director. The Committee reports on the appointment and removal of directors and their assignment to the different committees, and submits proposals on the remuneration policy. In turn, it oversees the senior management of the company in respect of their appointments and dismissals, assessment of the management training, promotion and selection policy, remuneration systems and levels, being informed of and monitoring the decisions on these issues adopted in the group subsidiaries.

**STRATEGY AND INVESTMENT COMMITTEE.** This Committee has a minimum of 3 and a maximum of 5 Directors. With support and assistance from the senior management of the company, this committee informs and submits proposals to the board on the growth, yield and market share of the company, new investments, restructuring processes and agreements with other groups, designing strategic development plans, if necessary, and monitoring these aspects also in the subsidiaries, adopting such initiatives as may be considered necessary for the common interest and benefit of the Company and its subsidiaries.

The following rules are also applicable regarding the composition and responsibilities of all the committees:

- In the event of temporary absence or unavailability of the Chairman of each Committee, he will be replaced by the member of the Committee provisionally appointed by the Board, or otherwise by the oldest member of the Committee. The Executive Committee is an exception to this rule, since it has a Vice-Chairman who will stand in for the Chairman in these cases.
- The Secretary of the Board acts as non-member Secretary of each Committee.
- The Committees meet whenever called by their respective Chairman or at the request of two of their members, and in any case whenever the Board requests the issuance of reports, the submission of proposals or the adoption of resolutions within their respective duties. Meetings are called by the Secretary, following instructions from the Chairman.
- Committee meetings are attended, with the right to speak but not vote, by any members of the management team that the Committee in question may consider necessary.
- The Committees report to the Board on their decisions at the first Board meeting held after such decisions have been made.
- Board meetings have access to the minutes of Committee meetings through the Secretary of the Board.

The powers of the Board Committees are described in Explanatory Note Eight in section H.

#### 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.

There is no separate text regulating any of the Committees of the Board, since they are all sufficiently regulated in the following articles of the Regulations of the Board:

- Executive Committee, Article 12
- Audit and Compliance Committee, Article 13
- Nomination and Remuneration Committee, Article 14
- Strategy and Investment Committee, Article 15.

Both the Audit and Compliance Committee and the Nomination and Remuneration Committee have issued activity reports for 2014 for submission to the Board of Directors and, if deemed fit, to be laid before the shareholders at the AGM 2015.

C.2.6 Does the composition of the Executive Committee reflect the participation on the Board of the different types of Director?

YES  NO

## D. RELATED PARTY AND INTER-COMPANY TRANSACTIONS

D.1 Name the competent body and explain the procedure, if any, for approving related party and inter-company transactions.

**Body competent for approving related party transactions**

BOARD OF DIRECTORS

**Procedure for approving related party transactions**

Related party transactions are approved by the Board subject to a report by the Audit and Compliance Committee.

Under Article 28 of the Articles of Association, the Audit and Compliance Committee has, among others, the power to ensure that transactions between the company and its subsidiaries or between these companies and directors and controlling shareholders are made on arm's length terms and respecting the principle of equal treatment, thus controlling any conflicts of interest that may arise in these related-party transactions.

The Regulations of the Board establish, in general, that the Audit and Compliance Committee shall see that the procedures of the financial reporting internal control system are adequate, informing the Board on any related party transactions submitted for its consideration.

Article 13.3 of the Regulations establishes that the Audit and Compliance Committee shall inform the Board prior to the adoption by the latter of any decisions on related party transactions requiring its authorisation.

Explain whether the power to approve related party transactions has been delegated, if so indicating the person or body to whom it has been delegated.

The Board has not delegated the power to approve related party transactions.

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)	700
SOCIEDAD ANÓNIMA DAMM	HERBA RICEMILLS, S.L.U.	Contractual	Sale of goods (finished or otherwise)	3,627

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

Name of director or executive	Name of company or group company	Relationship	Type of transaction	Amount (thousand euro)
ANTONIO HERNÁNDEZ CALLEJAS	LUIS HERNÁNDEZ GONZÁLEZ	Relative	Leases	37
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	DEHESA NORTE, S.A.	Corporate	Purchase of goods (finished or otherwise)	118
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	DEHESA NORTE, S.A.	Corporate	Purchase of goods (finished or otherwise)	68
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	DEHESA NORTE, S.A.	Corporate	Purchase of goods (finished or otherwise)	36
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	DEHESA NORTE, S.A.	Corporate	Purchase of goods (finished or otherwise)	30
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	DEHESA NORTE, S.A.	Corporate	Sale of goods (finished or otherwise)	118
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	DEHESA NORTE, S.A.	Corporate	Sale of goods (finished or otherwise)	68
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	DEHESA NORTE, S.A.	Corporate	Sale of goods (finished or otherwise)	30
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	DEHESA NORTE, S.A.	Corporate	Sale of goods (finished or otherwise)	36
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	ISLASUR, S.A.	Corporate	Purchase of goods (finished or otherwise)	309
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	ISLASUR, S.A.	Corporate	Purchase of goods (finished or otherwise)	181
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	ISLASUR, S.A.	Corporate	Purchase of goods (finished or otherwise)	67
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	ISLASUR, S.A.	Corporate	Purchase of goods (finished or otherwise)	30
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	ISLASUR, S.A.	Corporate	Purchase of goods (finished or otherwise)	73
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	ISLASUR, S.A.	Corporate	Sale of goods (finished or otherwise)	83
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	ISLASUR, S.A.	Corporate	Sale of goods (finished or otherwise)	181
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	ISLASUR, S.A.	Corporate	Sale of goods (finished or otherwise)	67
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	ISLASUR, S.A.	Corporate	Sale of goods (finished or otherwise)	30
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	AUSTRALIAN COMMODITIES, S.A.	Corporate	Purchase of goods (finished or otherwise)	101
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	AUSTRALIAN COMMODITIES, S.A.	Corporate	Purchase of goods (finished or otherwise)	53
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	AUSTRALIAN COMMODITIES, S.A.	Corporate	Purchase of goods (finished or otherwise)	30
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	AUSTRALIAN COMMODITIES, S.A.	Corporate	Purchase of goods (finished or otherwise)	73
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	AUSTRALIAN COMMODITIES, S.A.	Corporate	Sale of goods (finished or otherwise)	173
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	AUSTRALIAN COMMODITIES, S.A.	Corporate	Sale of goods (finished or otherwise)	52
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	AUSTRALIAN COMMODITIES, S.A.	Corporate	Sale of goods (finished or otherwise)	30
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	EL COBUJÓN, S.A.	Corporate	Purchase of goods (finished or otherwise)	163
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	EL COBUJÓN, S.A.	Corporate	Purchase of goods (finished or otherwise)	34



INSTITUTO HISPÁNICO DEL ARROZ, S.A.	EL COBUJÓN, S.A.	Corporate	Purchase of goods (finished or otherwise)	25
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	EL COBUJÓN, S.A.	Corporate	Purchase of goods (finished or otherwise)	86
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	EL COBUJÓN, S.A.	Corporate	Sale of goods (finished or otherwise)	193
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	EL COBUJÓN, S.A.	Corporate	Sale of goods (finished or otherwise)	34
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	EL COBUJÓN, S.A.	Corporate	Sale of goods (finished or otherwise)	55
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	EL COBUJÓN, S.A.	Corporate	Sale of goods (finished or otherwise)	24
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	MUNDIARROZ, S.A.	Corporate	Purchase of goods (finished or otherwise)	132
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	MUNDIARROZ, S.A.	Corporate	Purchase of goods (finished or otherwise)	68
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	MUNDIARROZ, S.A.	Corporate	Purchase of goods (finished or otherwise)	73
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	MUNDIARROZ, S.A.	Corporate	Purchase of goods (finished or otherwise)	30
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	MUNDIARROZ, S.A.	Corporate	Sale of goods (finished or otherwise)	203
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	MUNDIARROZ, S.A.	Corporate	Sale of goods (finished or otherwise)	68
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	MUNDIARROZ, S.A.	Corporate	Sale of goods (finished or otherwise)	30
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	PESQUERÍAS ISLA MAYOR, S.A.	Corporate	Purchase of goods (finished or otherwise)	76
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	PESQUERÍAS ISLA MAYOR, S.A.	Corporate	Purchase of goods (finished or otherwise)	68
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	PESQUERÍAS ISLA MAYOR, S.A.	Corporate	Purchase of goods (finished or otherwise)	51
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	PESQUERÍAS ISLA MAYOR, S.A.	Corporate	Sale of goods (finished or otherwise)	75
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	PESQUERÍAS ISLA MAYOR, S.A.	Corporate	Sale of goods (finished or otherwise)	68
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	PESQUERÍAS ISLA MAYOR, S.A.	Corporate	Sale of goods (finished or otherwise)	50
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	-	-	Leases	79
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	-	-	Purchase of goods (finished or otherwise)	7,719
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	-	-	Sale of goods (finished or otherwise)	304
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	-	-	Services rendered	2
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	-	-	Services received	175

**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.**

0 (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:**

The Audit and Compliance Committee ensures that the internal audit procedures and internal control systems are adequate and informs the Board on the related-party transactions submitted for its consideration and control of any possible conflicts of interest.

Under Article 28 of the Articles of Association, the Audit Committee has, among others, the power to ensure that transactions between the company and its subsidiaries or between these companies and directors and controlling shareholders are made on arm's length terms and respecting the principle of equal treatment, thus controlling any conflicts of interest that may arise in these related-party transactions.

Under Article 6.5 of the Regulations of the Board, the Board is competent, once a favourable report has been issued by the Audit and Compliance Committee, to authorise any related-party transactions between the company or group companies and directors, controlling shareholders, other related parties or shareholders represented on the board. This authorisation is not necessary when the transactions meet all of the following three conditions:

- If the transactions are made under contracts with standard terms and conditions applied globally to many clients.
- If the transactions are made at prices or rates established generally by the supplier of the good or service in question.
- If the amount of the transaction is no more than 1% of the annual income of the company.

Article 22 of the Regulations of the Board establishes the following prohibitions and disqualifications, among others, for directors:

- Holding positions or duties of representation, management, counselling or rendering of services in rival companies or the holding or performance of such positions, duties or services in companies having a controlling stake in rival companies.
- Attendance and participation in the discussions of any of the corporate bodies concerning business in which the director personally, or a member of his/her family has an interest or a company in which the director has an executive position or a significant shareholding.
- Direct or indirect participation in related-party transactions with the company or other group companies without previously informing the Board and seeking its approval, except in the cases contemplated in Article 6.5 of these Regulations.

The article also bars from the board anyone who, personally or through an intermediary, holds office in or is a representative of or is otherwise related to companies that are habitual clients or suppliers of goods and services of the company, whenever this condition may give rise to a conflict or clash of interest with the Company or its subsidiaries; in such cases the Chairman shall be informed of the situation and request a report from the Audit and Compliance Committee. Financial institutions providing financial services for the company are excluded from the foregoing.

Directors and executives are also subject to the specific obligations regarding conflicts of interests and related party transactions established in the Internal Code of Market Conduct (Rules 4, 8, 12 and 14).

**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:

<b>Mechanisms for solving possible conflicts of interest</b>
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## **E. RISK CONTROL AND MANAGEMENT SYSTEMS**

### **E.1 Explain the scope of the company's Risk Management System.**

The Group has an integral, homogenous system for assessing any risks to which it might be exposed. That system is based on the preparation of a risk map using a software tool called GIRO, through which information is input in the subsidiaries by the risk managers of each unit. In the process of pinpointing, assessment and management of risks, the risks are ranked from greater to lesser impact for the Group and by probability of occurrence. The risk universe is structured in four main groups: compliance, operational, strategic and financial, and all of them are subdivided into a large number of categories.

The 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.

This model is used for both the pasta and rice divisions, covering the Group's entire business.

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

The Group's Chief Operating Officer is responsible for risk management on a corporate level, reporting directly to the Chairman of the Board. The senior management of the principal subsidiaries of the Group report regularly on any risks affecting them and the protocols and controls established to mitigate them. Process-level managers oversee those controls and solve any gaps or weaknesses (critical points) that may arise. Risk management is dynamic, such that the risks to be considered vary with the changing circumstances of our business.

Article 9.1 of the Regulations of the Board establishes 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.

Similarly, Article 6.3, which addresses the board's scope of action, establishes in respect of the transparency and truth of the company's reporting, that the Board shall, as such and through its different Committees:

- a) Ensure the independence and professional suitability of the External Auditor.
- b) Supervise the services of the Internal Audit Department, overseeing the financial reporting process and internal control systems.
- c) Control the financial information disclosed to the shareholders or the markets in general.

In particular, the Audit and Compliance Committee is responsible for overseeing and boosting internal control of the Group and risk management systems and proposing the risk management and control policy to the Board, identifying at least the following:

- The types of risk (operational, technological, financial, legal and reputational) to which the company is exposed
- The level of risk that the company considers acceptable
- The measures to mitigate the impact of the risks identified should they occur
- The control and reporting systems to be used to control and manage those risks.

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

- Health risks: Owing to the nature of our business, we consider this risk particularly important. The aspects regarding food safety are another critical point to which the Group pays the utmost attention, being bound by a large number of laws and standards in each of the countries in which we distribute our products. Respect for the environment is another critical point for the Group, considering our industrial activity, with a large number of plants distributed throughout Europe and the USA, mainly.

The Group's policy is based on the principal of compliance with the laws and regulations in place from time to time, for which it has defined, developed and implemented a quality, environment and food safety management system that complies with the requirements of the standards UNE-EN-ISO 9001:2000/8 (Food Safety System Certification), UNE-EN-ISO 14001:2004 (Environment Management) and ISO 22000:2005.

The food safety programmes are designed to follow protocols that seek to identify and control certain Hazard Analysis and Critical Control Points (HACCP) to minimise the residual risk.

The principal control points are grouped into:

- Physical points: controls to detect foreign objects in the product or the presence of metals.
- Chemical points: detection of chemical elements or presence of allergens.
- Biological points: presence of elements such as salmonella or other types of pathogen.

Most of our handling processes have obtained IFS (International Food Standard) certification and the pasta plants in the United States have obtained compliance certification from the Global Food Safety Initiative (GFSI).

The Group has also implemented several initiatives to reduce greenhouse gas emissions and atmospheric waste, improve the quality of water and reduce effluent, enhance energy and hydrological efficiency and implement physical waste recycling programmes for paper, aluminium and other materials.

The company provides its employees with continuous, adequate training in food safety and the rules of safety and hygiene in the workplace.

- Commodity supply risk: The availability of commodities in the quantity and quality required to meet 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). Any material risk in this area is critical for the Group.

- 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: This risk factor affects both the industrial and retail segments.

- Competition risk: In general, the pressure from white label brands is the main threat for maintaining our market shares.

- Customer credit risk: In the present international crisis, many companies find it difficult to meet their payment commitments so there is a growing risk of default.

- 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. and adversely affecting the Group's ability to maintain its commercial and financial relations.

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

- Changes in lifestyle: Low carbohydrate diets.

- Technological risk, especially the risk of a possible "technological lag". 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.

- Natural disasters, fires, etc.: As a major industrial group, a significant part of the assets on the balance sheet corresponds to its factories. The Group has insured all its factories and facilities, which would mitigate the effect of any incidents that may jeopardise their value.

Finally, there are another two risks to which the Group is exposed:

- 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).

- Country or market risk.

These risks have been mitigated over recent years through a firm business and geographical diversification policy, increasing our presence in Europe, America (United States and Canada), Asia (Thailand and India) and Africa (Egypt and Morocco).

#### E.4 State whether the company has a risk tolerance level.

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, it is considered a threat requiring corporate action. A risk with an effect of over 20% of the individual EBITDA of a business must also be reported on a corporate level to take such mitigation measures as may be considered necessary.

Risk identification and assessment corresponds to the manager of each business unit or division, who should quantify the maximum risk exposure. Tolerance is set in terms of the percentages of EBITDA indicated above. The Management Committee adopts such measures as may be considered necessary to mitigate risks.

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

- Although the situation has been addressed in the past two crop years, in 2014 the surplus supply of rice on the international market has intensified, pushing down market prices. This situation has been caused by several factors: surplus stocks globally, especially in Thailand, together with a growing supply of countries benefiting from the EBA treaties and the relatively weak US dollar. As a result of this combination of factors, rice from outside the EU has become cheaper, making European rice less competitive.

The impact of this risk was felt in the subsidiary Herba Ricemills, where our production of parboiled rice was reduced by approx. 40,000 tonnes, which would have contributed around €2 million to profit. Herba has responded to this critical risk by sourcing rice for our European subsidiaries from mainly Asian countries, saving our domestic production for uses and applications with a higher value added.

- In respect of credit risk in Spain, one of our main clients in the American region (IPACPA, in Mexico) is very close to insolvency. Despite the control in customer collections management, the alarm over payment delays by this client arose at the peak of our sales, with a cumulative balance of almost USD 2 million. A rapid alert enabled us to interrupt the latest shipments, deviating their delivery to controlled destinations and thereby more than halving the risk.

- The main risk in France is associated with the volatile commodity prices, particularly those of durum wheat, which rose by 60% over the year. This pushed the cost of our supplies up by €5 million. Our subsidiary Panzani was able to pass that extra cost on to white label distributors almost immediately and only at the end of the year to our specific brands.

- Just as in the preceding year, the persistent drought in Texas caused supply problems for our rice subsidiary in the United States and logistics problems for our factory in Freeport. Our subsidiary, Riviana, had to transfer part of its production to another factory in Tennessee, where it is easier to obtain rice from Arkansas and Louisiana. At the same time, shifts and workforce were reduced at our Freeport plant. The total impact on our profit and loss account was 8 million dollars.

- Our pasta subsidiary New World Pasta also suffered logistic problems during the year in the United States. These problems were caused by extreme weather conditions and the shortage of hauliers in Canada and the north west United States. This affects the supplies of raw material to our production plants in Canada and Winchester (USA) and pushed up our supply costs, which was mitigated by reducing promotion costs.

- In general, we highlight the following risks, as they affected several of our subsidiaries:

(i) The volatility on the foreign exchange markets affected all of our subsidiaries, although the overall effect was positive, mainly due to the evolution of the dollar towards the end of the year.

(ii) Owing to the economic crisis mainly in Europe, we have had to make concessions to some clients in respect of their payment schedules, slightly lengthening the average collection period for some of our subsidiaries. As a result, the Group has also tightened the credit terms for some of our clients.

## E.6 Explain the response and supervision plans for the main 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.

In the subsidiaries with greatest weight within the Group, such as the American subsidiaries, those plans are documented in the "Crisis Management Plan" (CMP), which specifies the main risks to which the company is exposed, the protocols for responding to them and the company officers responsible for implementation.

## 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), delegating the existence and maintenance of the procedures to ensure that the financial reporting is correct to the Audit and Compliance Committee and the design and promotion to the Management Committee.

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.

The Audit and Compliance Committee supervises the Group financial reporting, assisted by the Internal Audit Department, the external auditors and certain executives of the organisation (from the Finance Department or other areas) when required.

As established in the Regulations of the Board, the Audit and Compliance Committee has the following duties:

- a) Supervise and promote internal control of the company and its risk management systems.
- b) Oversee and promote the policies, procedures and systems used for preparing and controlling the company's financial reporting, checking the services performed in this regard by the Internal Audit Department, the Finance Department and the Management Committee and making sure the Group is adequately informed about them.
- c) Ensure that the internal control systems are adequate and effective in respect of the accounting practices and principles used when drawing up the company's annual accounts, supervising the policies and procedures established to ensure due compliance with applicable legal provisions and internal regulations.
- d) Oversee compliance with the internal codes of conduct and corporate governance rules. In particular, ensure 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.

#### 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, 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, informing on the criteria applied in the subsidiaries, and the executive promotion, training and selection policies of both the parent and its subsidiaries.

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 Code of Ethics of 2003 and Code of Conduct of 2008, was approved by the board on 28 March 2012 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, by delegation of the Ebro Foods Board of Directors, is responsible for monitoring and controlling application of the Code.

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, after obtaining a report from the Corporate Social Responsibility Management, 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.

- 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 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.

For this purpose, the Ebro Group has, through its Code of Conduct, established a whistle-blowing or reporting channel 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.

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 carry out 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

## 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.

Risk Management is a process established by Management and supervised by the Board through the Audit and Compliance Committee. This process is specified through the Risk Management System based on the Corporate Risk Management Policy.

The potential risks events that could affect the organisation are identified and assessed through the Risk Management System, pinpointing and assessing the risks corresponding to each line of business. Through this Risk 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 within the tolerance levels, thereby providing reasonable certainty regarding achievement of the strategic business goals.

The Ebro Group currently has a tool with which it is able to manage the Risk Management System, which covers all the most significant risks of the Ebro Group.

- 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, management committee 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 Risks 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.

- Which governing body of the company supervises the process.

According to the regulations of the board, the Audit and Compliance Committee is responsible for regularly checking the internal risk management and control systems ensuring that the principal risks are adequately identified, managed and disclosed.

### 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 management 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.

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 to the Group Management all and any modifications made.

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 diagrams and risk and control matrices. The controls identified are both preventive and detective, manual and 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 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 intra-departmental integration and efficient updating of user status, regularly identifying those who no longer access the systems.

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 process 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.

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 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).

## 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 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 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. Through that reporting system, 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

- F.5.1 Inform on 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, which is designed and implemented by the management committee. 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; 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 2014, the External Auditor attended 4 meetings of the Audit and Compliance Committee and the Internal Auditor has attended 7 such meetings.

## F.6 Other significant information

N/A

## F.7 External auditor's report

7.7.1 Inform as to 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, Ernst & Young, S.L. reviewing the FRICS information 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.

See sections: A.10, B.1, B.2, C.1.23 and C.1.24

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.**

See sections: D.4 and D.7

Complies  Partial compliance  Explanation  Not applicable

3. Although not expressly required in company law, any operations involving a structural alteration of the company should be submitted to the General Meeting for approval, especially the following:

a) **Conversion of listed companies into holdings, through spin-off or "subsidiarisation", i.e. reallocating to subsidiaries of core activities thereunto performed by the company, even though the latter may retain full ownership of its subsidiaries;**

b) **Acquisition or disposal of key operating assets, if this involves an effective alteration of its objects;**

c) **Any operations producing effects equivalent to liquidation of the company.**

See section: B.6

Complies  Partial compliance  Explanation

4. Detailed proposals of the resolutions to be adopted at a General Meeting, including the information contemplated in Recommendation 27, should be published simultaneously with the notice of call to the General Meeting.

Complies  Explanation

5. Substantially independent items shall be voted separately at General Meetings to enable shareholders to express their preferences separately. This rule is particularly applicable:

**a) To the appointment or ratification of directors, which should be voted individually;**

**b) In the case of alterations to the Articles of Association, to each article or substantially independent group of articles.**

Complies  Partial compliance  Explanation

6. Companies should allow split votes, so that financial intermediaries on record as shareholders but acting on behalf of different clients can vote according to the latter's instructions.

Complies  Explanation

7. The Board should perform its duties with unity in proposal and independent criteria, affording all shareholders the same treatment and guided by corporate interests, which shall mean maximising the value of the company over time.

It shall also ensure that the company complies with the applicable laws and regulations in its relations with stakeholders; fulfils its contracts and obligations in good faith; respects good customs and practice in the sectors and territories in which it operates; and upholds any other social responsibility principles that it may have subscribed to voluntarily.

Complies  Partial compliance  Explanation

8. The Board should undertake, as its principal mission, to approve the company's strategy and the organisation required to put it into practice, and to oversee and ensure that Management meets the targets marked out and respects the objects and corporate interest of the company. For this purpose, the full Board shall approve the following:

**a) General policies and strategies of the Company, particularly:**

- i) The strategic or business plan, management objectives and annual budgets;
- ii) Investment and financing policy;
- iii) Definition of the structure of the corporate group;
- iv) Corporate governance policy;
- v) Corporate social responsibility policy;
- vi) Policy on the remuneration and performance assessment of senior officers;
- vii) Risk management and control policy and the regular monitoring of internal information and control systems;
- viii) The dividend policy and treasury stock policy, particularly regarding limits.

See sections: C.1.14, C.1.16 and E.2

**b) The following decisions:**

- i) Upon recommendation by the chief executive, the appointment and possible removal of senior officers, and corresponding severance clauses;
- ii) Directors' emoluments and, for executive directors, supplementary remuneration for their executive duties and any other terms and conditions to be included in their contracts;

- iii) The financial information that listed companies are obliged to disclose periodically;
- iv) Any investments or transactions considered strategic by virtue of their amount or special characteristics, unless approval corresponds to the General Meeting;
- v) Creation or acquisition of shares in special purpose vehicles or companies domiciled in countries or territories considered tax havens, and any transactions or operations of a similar nature which could, by virtue of their complex structure, impair the group's transparency.

c) Transactions between the company and its directors, significant shareholders or shareholders with representatives on the Board, or persons related thereto ("related-party transactions").

This authorisation will not be necessary for related-party transactions that meet all of the following three conditions:

1. Made under contracts with standard terms and conditions applied across the board to large numbers of clients;
2. Made at the general prices or rates established by the person supplying the good or service;
3. Made for a sum not exceeding 1% of the company's annual earnings.

The Board is recommended to make approval of related-party transactions dependent on a favourable report by the Audit Committee, or such other committee as may be assigned this duty. Apart from not exercising or delegating their vote, the affected Directors shall leave the room during the corresponding discussion and voting by the Board.

It is recommended that these competences of the Board be non-delegable, except those contemplated in paragraphs b) and c), which may be adopted by the Executive Committee in an emergency, subject to subsequent ratification by the full Board.

See sections: D.1 and D.6

Complies  Partial compliance  Explanation

9. The Board should have an adequate size to secure efficient, participative performance of its duties. The recommended size is between five and fifteen members.

See section: C.1.2

Complies  Explanation

10. Non-executive proprietary and independent directors should have an ample majority on the board, while the number of executive directors should be kept to a minimum, taking account of their equity ownership and the complexity of the corporate group.

See sections: A.3 and C.1.3

Complies  Partial compliance  Explanation

11. Among the non-executive directors, the ratio of proprietary to independent directors should reflect the proportion between capital represented and not represented on the Board.

**This strictly proportional distribution may be relaxed so that proprietary directors have a greater weight than that corresponding to the total percentage of capital they represent:**

1. In companies with a high capitalisation with few or no shareholdings considered significant by law, but in which certain shareholders have interests with a high absolute value.
2. In companies with a plurality of unrelated shareholders represented on the Board.

See sections: A.2, A.3 and C.1.3

Complies  Explanation

12. The total number of Independent Directors should represent at least one-third of the total Directors.

See section: C.1.3

Complies  Explanation

Following the resignation for professional reasons of Sol Daurella Comadrán (independent director) as of 1 December 2014, there are 3 independent directors, representing 25% of the total directors.

Although the company considers that the composition of the board reflects the shareholding structure of the company, it is considering measures to fill the vacancy produced by the resignation of the aforesaid independent director.

13. The Board should explain the nature of each director at the general meeting at which an appointment is to be made or ratified. The type of director should be confirmed or altered, as the case may be, in the Annual Corporate Governance Report, following verification by the Nomination Committee. The reasons why proprietary directors have been appointed at the request of shareholders with an interest of less than 5% in the capital shall be explained in that Report, as well as the reasons, where 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.

See sections: C.1.3 and C.1.8.

Complies  Partial compliance  Explanation

14. When there are few or no female directors, when vacancies arise on the Board, the Nomination Committee should ensure that:

- a) **There is no hidden bias against female candidates in the selection procedures;**
- b) **A conscious effort is made to include women with the target profile among the candidates.**

See sections: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 and C.2.4

Complies  Partial compliance  Explanation  Not applicable

Board members have traditionally been appointed regardless of candidates' gender, so there is no positive or negative discrimination of any nature in the election of directors, without prejudice to any measures that may be taken in the future by the Nomination and Remuneration Committee in pursuance of the amended Corporate Enterprises Act.

Following the resignation tendered on 1 December 2014 by one independent director, the female directors on the board at present are Blanca Hernández Rodríguez and Concepción Ordiz Fuertes.

15. The Chairman, being responsible for the effective operation of the Board, should make sure that directors receive sufficient information in advance; stimulate debate and active participation by directors at all Board meetings, protecting their free stand and expression of opinion on any issues; and organise and coordinate periodic assessment of the Board, and the Managing Director or CEO, if any, with the chairmen of the principal committees.

See section: C.1.19 and C.1.41

Complies  Partial compliance  Explanation

16. When the Chairman of the Board is also the chief executive officer of the company, one of the independent directors should be authorised to request the calling of a board meeting or the inclusion of new items on the agenda; coordinate and express the concerns of the non-executive directors; and direct the assessment by the Board of its Chairman.

See section: C.1.22

Complies  Partial compliance  Explanation  Not applicable

The company partially complied with this recommendation in 2014, since the Regulations of the Board recognises the right of all directors to request the calling of a board meeting or the inclusion of items on the agenda, not limiting this power exclusively to independent directors.

Article 9.2 of the Regulations of the Board stipulates that one-third of the board members may, at least six days prior to the date

of a board meeting, request the inclusion of items which, in their opinion, should be transacted.

Article 9.5 of the Regulations stipulates that the board may discuss and adopt resolutions on issues included on the agenda, as well as any others which all the directors present and represented at the meeting agree to dispatch.

Similarly, Article 25.2.b) of the Regulations establishes that directors shall request a meeting of any corporate bodies they belong to whenever they may consider this to be in the company's interests, proposing such items as they may consider adequate for the agenda.

Finally, Article 33.1 of the Regulations provide that when the chairman of the board is also the chief executive officer of the company, the board may appoint a vice-chairman from among the non-executive directors, who will be entitled to call board meetings or include new items on the agenda and organise meetings to coordinate among non-executive directors, and who will direct the assessment of the chairman. If no vice-chairman is appointed, the board will authorise an independent director to perform these duties.

At present José Antonio Segurado García, as Lead Independent Director, is authorised to request the calling of a board meeting or the inclusion of new items on the agenda of a meeting that has already been called, coordinate and call meetings of the non-executive directors and, if appropriate, direct the periodical performance rating of the Chairman.

17. The Secretary of the Board should especially ensure that the Board's actions:

- a) **Conform to the text and spirit of the laws and regulations, including those adopted by the market watchdogs;**
- b) **Conform to the company's Articles of Association and the Regulations of the General Meeting, the Board and any other internal regulations of the Company;**
- c) **Take account of the good governance recommendations contained in this Unified Code endorsed by the company.**

To guarantee the independence, impartiality and professionalism of the Secretary, his/her appointment and removal should require a report by the Nomination Committee and approval by the full Board; and the procedure for appointment and removal should be set down in the Regulations of the Board.

See section: C.1.34

Complies  Partial compliance  Explanation

18. 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 propose other items not initially contemplated to be included on the agenda.

See section: C.1.29

Complies  Partial compliance  Explanation

19. 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 grant a proxy for any Board meeting, the appropriate instructions should be issued.

See sections: C.1.28, C.1.29 and C.1.30

Complies  Partial compliance  Explanation

20. 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

21. The full Board should assess once a year:

- a) **The quality and effectiveness of the Board's actions;**
- b) **Based on the report issued by the Nomination Committee, the performance by the Chairman of the Board and Chief Executive Officer of their respective duties;**

**c) The performance of its Committees, based on the reports issued by each one.**

See section: C.1.19 and C.1.20

Complies  Partial compliance  Explanation

22. All the Directors should be entitled to obtain such supplementary information as they may consider necessary on business within the competence of the Board. Save otherwise stipulated in the Articles of Association or Board Regulations, their requests should be addressed to the Chairman or Secretary of the Board.

See section: C.1.41

Complies  Explanation

23. All Directors should be entitled to call on the company for specific guidance in the performance of their duties, and the company should provide adequate means for exercising this right, which in special circumstances may include external assistance, at the company's expense.

See section: C.1.40

Complies  Explanation

24. Companies should establish an induction programme to give new Directors a rapid, sufficient insight into the company and its rules on corporate governance. Directors should also be offered refresher courses in the appropriate circumstances.

Complies  Partial compliance  Explanation

25. Companies should require Directors to devote the necessary time and efforts to perform their duties efficiently. Accordingly:

**a) Directors should inform the Nomination Committee of any other professional obligations they may have, in case they may interfere with the required dedication;**

**b) Companies should limit the number of directorships that its Directors may hold.**

See sections: C.1.12, C.1.13 and C.1.17

Complies  Partial compliance  Explanation

26. Proposals for the appointment or re-appointment of directors submitted by the Board to the General Meeting and the provisional appointment of directors by cooptation should be approved by the Board:

**a) At the proposal of the Nomination Committee, in the case of independent directors;**

**b) Subject to a report by the Nomination Committee for other directors.**

See section: C.1.3

Complies  Partial compliance  Explanation

27. Companies should publish on their websites and regularly update the following information on their directors:

**a) Professional and biographical profile;**

**b) Other directorships held, in listed or unlisted companies;**

**c) Type of director, indicating in the case of proprietary directors the shareholders they represent or are related with.**

**d) Date of first and subsequent appointments as company director; and**

**e) Company shares and stock options held.**

Complies  Partial compliance  Explanation

Although there is no specific section of the corporate website containing information on other directorships held by the directors of Ebro Foods, S.A., the annual accounts and corporate governance report of each year published in the corresponding section of the website contain information on the directorships held in listed companies and companies engaged in activities identical or

similar to those of Ebro Foods.

28. 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.

See sections: A.2, A.3 and C.1.2

Complies  Partial compliance  Explanation

29. The Board should not propose the removal of any independent director before the end of the period for which he or she was appointed, unless there are just grounds for doing so, as appreciated by the Board subject to a report by the Nomination Committee. Just grounds are deemed to exist when the director has acted in breach of his/her duties or when he or she falls into any of the circumstances by virtue of which he/she would no longer be considered independent, according to the provisions of Order ECC/461/2013.

**The removal of independent directors may also be proposed as a result of takeover bids, mergers or similar corporate operations producing a change in the capital structure of the company, whenever those changes in the structure of the Board correspond to the principle of proportionality established in Recommendation 11.**

See sections: C.1.2, C.1.9, C.1.19 and C.1.27

Complies  Explanation

30. Companies should establish rules obliging directors to report and, if necessary, resign in any cases that may jeopardise the company's 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 tried for any of the offences contemplated in section 213 of the Corporate Enterprises Act, 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.**

See sections: C.1.42 and C.1.43

Complies  Partial compliance  Explanation

31. 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 regarding which a director has expressed serious reservations, the latter should reach the appropriate conclusions and, if he or she opts 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

32. If a director resigns or retires from office on whatsoever other grounds before the end of his or her term of office, he or she 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.

See section: C.1.9

Complies  Partial compliance  Explanation  Not applicable

33. Remunerations in the form of shares in the company or group companies, stock options or instruments linked to



the value of the share and any variable remuneration linked to the company's performance or welfare schemes should be limited to executive directors.

**This recommendation shall not be applicable to the delivery of shares when subject to the condition that the directors keep them up to their retirement from the Board.**

Complies  Partial compliance  Explanation  Not applicable

34. The remuneration of non-executive directors should be sufficient to remunerate their dedication, qualifications and responsibilities, but not so high as to compromise their independence.

Complies  Explanation  Not applicable

35. Earnings-linked remuneration should take account of any qualifications in the external auditor's report that may reduce such earnings.

Complies  Explanation  Not applicable

36. In the case of variable remuneration, the pay policies should establish such limits and technical precautions as may be necessary to ensure that such remuneration is related to the professional performance of its beneficiaries, not merely deriving from general trends on the markets or in the company's sector of business or other similar circumstances.

Complies  Explanation  Not applicable

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.

See sections: C.2.1 and C.2.6

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. In addition to the Audit Committee which is mandatory under the Securities Market Act, the Board shall set up a Nomination and Remuneration Committee, or two separate Committees.

**The rules on composition and procedure of the Audit Committee and the Nomination and Remuneration Committee or Committees should be set out in the Regulations of the Board, including the following:**

- a) **The Board should appoint the members of these Committees, taking account of the directors' knowledge, expertise and experience and the duties corresponding to each Committee and discuss their proposals and reports. The Committees should report to the Board on their actions at the first full Board meeting after each Committee meeting, being accountable for the work done.**
- b) **These Committees should have a minimum of three members, who should be exclusively non-executive directors. This notwithstanding, executive directors or senior officers may attend their meetings when expressly so decided by the Committee members.**
- c) **The Committees should be chaired by Independent Directors.**
- d) **They may obtain external assistance whenever this is considered necessary for the performance of their duties.**
- e) **Minutes should be issued of Committee meetings and a copy sent to all members of the Board.**

See sections: C.2.1 and C.2.4

Complies  Partial compliance  Explanation

40. The Audit Committee, Nomination Committee or, if separate, the Compliance or Corporate Governance Committee(s) should be responsible for overseeing compliance with internal codes of conduct and corporate governance rules and regulations.

See sections: C.2.3 and C.2.4

Complies  Explanation

41. All members of the Audit Committee, particularly its Chairman, should be appointed in view of their knowledge of and experience in accounting, auditing or risk management.

Complies  Explanation

42. Listed companies should have an internal audit department, supervised by the Audit Committee, to guarantee the effectiveness and efficiency of the internal reporting and control systems.

See section: C.2.3

Complies  Explanation

43. The chief audit officer should submit an annual work programme to the Audit Committee, reporting directly on any irregularities arising during its implementation and submitting an activity report at each year end.

Complies  Partial compliance  Explanation

44. The risk management and control policy should define at least:

- a) The different types of risk (operational, technological, financial, legal, reputational...) to which the company is exposed, including under financial or economic risks any contingent liabilities or other off-balance-sheet exposure;
- b) The level of risk that the company considers acceptable;
- c) The measures envisaged to soften the effects of the risks identified, should they materialise;
- d) The internal reporting and control systems to be used to control and manage those risks, including contingent liabilities or off-balance-sheet risks.

See section: E

Complies  Partial compliance  Explanation

45. The Audit Committee should:

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

- a) Ensure that the principal risks identified through supervision of the effective internal control of the company and internal auditing are adequately managed and disclosed.
- b) Oversee the independence and effectiveness of the internal audit department; propose the nomination, appointment, reappointment and removal of the chief audit officer; propose the budget for this department; receive periodical 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, if considered appropriate, anonymously report any potentially important irregularities they may observe in the company’s conduct, especially in financial and accounting aspects.

**2. In connection with the external auditor:**

- a) Receive regular information from the external auditor on the audit plan and findings and make sure the senior management acts on its recommendations.
- b) Guarantee the independence of the external auditor, and for this purpose:

i) **The company should inform the CNMV as a significant event whenever the auditor is changed, attaching a declaration on any disagreements that may have arisen with the outgoing auditor and their content.**

ii) **Investigate the circumstances giving rise to resignation of any external auditor.**

See sections: C.1.36, C.2.3, C.2.4 and E.2

Complies  Partial compliance  Explanation

46. **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  Explanation

47. **The Audit Committee should report to the Board on the following matters from Recommendation 8 before the latter adopts the corresponding decisions:**

a) **The financial information that listed companies are obliged to disclose periodically. The Committee shall ensure that interim financial statements are drawn up under the same accounting principles as the annual statements, requesting a limited external audit if necessary.**

b) **Creation or acquisition of shares in special purpose vehicles or companies domiciled in countries or territories which are considered tax havens, and any transactions or operations of a similar nature which could, by virtue of their complex structure, impair the group's transparency.**

c) **Related-party transactions, unless this prior reporting duty has been assigned to another supervision and control committee.**

See sections: C.2.3 and C.2.4

Complies  Partial compliance  Explanation

48. **The Board should endeavour 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.**

See section: C.1.38

Complies  Partial compliance  Explanation

49. **The majority of the members of the Nomination Committee – or Nomination and Remuneration Committee if there is just one – should be independent directors.**

See section: C.2.1

Complies  Explanation  Not applicable

Of the four members of the Nomination and Remuneration Committee, two are independent directors, one of whom chairs the committee.

50. **Apart from the duties specified in preceding Recommendations, the Nomination Committee should:**

a) **Assess the expertise, knowledge and experience of Board members; define the duties and skills required of candidates to fill vacancies; and determine the time and dedication considered necessary for them to adequately perform their duties.**

b) **Study or organise as appropriate the succession of the Chairman or Chief Executive Officer and, if necessary, make recommendations to the Board to secure an orderly, well-planned handover.**

c) **Report on any appointments and removals of senior officers proposed by the Chief Executive Officer.**

d) **Report to the Board on the gender issues contemplated in Recommendation 14.**

See section: C.2.4

Complies  Partial compliance  Explanation  Not applicable

In 2014, notwithstanding the powers assigned to the Nomination and Remuneration Committee under the amended Corporate Enterprises Act, all the powers indicated in this recommendation corresponded to this committee except the power indicated in d).

51. The Nomination Committee should consult the Chairman and Chief Executive Officer, especially on matters concerning Executive Directors.

**Any director may request the Nomination Committee to consider potential candidates they consider suitable to fill vacancies on the Board.**

Complies  Partial compliance  Explanation  Not applicable

52. Apart from the duties indicated in the preceding Recommendations, the Remuneration Committee should:

**a) Submit proposals to the Board on:**

- i) **The remuneration policy for directors and senior officers;**
- ii) **The individual remuneration of executive directors and other terms of contract;**
- iii) **The basic conditions of senior executive contracts.**

**b) Ensure compliance with the remuneration policy established by the company.**

See sections: C.2.4

Complies  Partial compliance  Explanation  Not applicable

53. The Remuneration Committee should consult the Chairman and Chief Executive Officer, especially on matters concerning executive directors and senior officers.

Complies  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, 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 explanatory note six to section C.1.17 exist between them.

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

For relationships between the companies of the Ebro Foods Group and the controlling shareholders, see section C.2 of this Report.

#### EXPLANATORY NOTE THREE, ON SECTION C.1.2

The director José Antonio Segurado García was appointed Lead Independent Director by virtue of a resolution adopted by the Board on 29 January 2014, as mentioned in several sections of this report.

#### EXPLANATORY NOTE FOUR, ON SECTIONS C.1.4 AND C.2.2

Following the resignation by a female independent director for professional reasons on 1 December 2014, the presence of women on the Board of Directors has been reduced to two and the number of independent directors on the Audit and Compliance Committee and the Nomination and Remuneration Committee has fallen to two.

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

- The total amount indicated in section C.1.16 includes (i) the remuneration of all the company executives, even though they are not all part of the senior management; and (ii) the remuneration of an executive who left the company as of 30 July 2014 and that of another executive who joined the company on 6 October 2014.

- In 2014 a sum of €145,000 was distributed among all executives (except the Chairman of the Board) included in the Deferred Annual Bonus Scheme linked to the Group's Strategic Plan 2010-2012, corresponding to 2012 (the last year of the Plan). This sum represents 70% of the Deferred Annual Variable Remuneration for the three-year period and was provided for in the 2012 accounts.

- A provision has been recognised in the 2014 accounts of €117,000 as the provisional estimate of the sum corresponding to 2014 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, equivalent to 25% of the Deferred Annual Variable Remuneration for that three-year period. This sum has been paid in 2015.

- 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.

#### 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 15.879% 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.

Demetrio Carceller Arce has an indirect interest in Ebro Foods, S.A. through the 10.026% interest held indirectly in this company by Sociedad Anónima Damm through Corporación Económica Damm, S.A.

#### EXPLANATORY NOTE SEVEN, ON SECTION C.1.29

During 2014 both the Board of Directors and the Audit and Compliance Committee adopted written resolutions (without a meeting) on one occasion each, which should be added to the number of meetings indicated in section C.1.29.

#### EXPLANATORY NOTE EIGHT, ON SECTION C.2

-The audit committee in Ebro Foods S.A. is called the Audit and Compliance Committee and the nomination and remuneration committee is called the Nomination and Remuneration Committee (lit. Selection and Remuneration Committee in Spanish).

-The powers of the different Committee of the Board established in the Regulations of the Board, without prejudice to those corresponding to them by law, are set out below:

##### 1. POWERS OF THE EXECUTIVE COMMITTEE:

- a) Adopt resolutions corresponding to the powers delegated to it by the Board of Directors.
- b) Monitor and supervise the day-to-day 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 line of business.
- Monthly monitoring of the financial management, budget deviations 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 acquisition 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.

## 2. POWERS OF THE AUDIT AND COMPLIANCE COMMITTEE:

a) Supervise and promote internal control of the company and the risk management systems and submit recommendations to the Board regarding the risk management and control policy.

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 the systems used for preparing the separate and consolidated Annual Accounts and Directors' Report submitted to the Board to be officially drawn up and 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. 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. Furthermore, whenever the Committee so requests its Chairman, its meetings may be attended by any member of the company management, who may speak but not vote.

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) Propose to the Board, for submission to the General Meeting, the appointment of the External Auditors of the Company 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. 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) Report to the General Meeting on any issues raised by shareholders concerning matters within its competence.

### 3. POWERS OF THE NOMINATION AND REMUNERATION COMMITTEE:

The Committee shall study, issue reports and submit proposals for the Board 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, if any, the Vice-Chairman, Managing Director(s) and Secretary of the Board; appointment of Directors to the Executive Committee, Audit and Compliance Committee and Strategy and Investment Committee; appointment of members of the Management Committee and any other advisory committees the Board may create; 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 in accordance with the laws and regulations in place from time to time.

### 4. POWERS 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 of the company.
- 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.

In the performance of its duties, it may, where necessary, obtain information and collaboration from the members of the Company management, through the Chairman of the Committee.

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

The transactions performed directly by the director Instituto Hispánico del Arroz, S.A. listed in section D.3 are grouped by type of transaction and were all made with the subsidiaries of the Ebro Foods Group and for the amounts indicated below:

- The "purchases of goods (finished or otherwise)" in a total sum of €7,719 thousand were made directly with the following companies of the Ebro Foods Group: Herba Ricemills, S.L.U. (€7,484 thousand), Boost Nutrition, C.V. (€68 thousand), Arrozeiras Mundiarroz, S.A. (€79 thousand) and TBA Suntra BV (€88 thousand).
- The "sales of goods (finished or otherwise)" in a total sum of €304 thousand were made directly with the following companies of the Ebro Foods Group: Herba Ricemills, S.L.U. (€119 thousand), Boost Nutrition, C.V. (€68 thousand), Arrozeiras Mundiarroz, S.A. (€30 thousand) and TBA Suntra BV (€87 thousand).
- "Services rendered" in a sum of €2 thousand were made directly with Herba Ricemills, S.L.U.
- "Services received" in a sum of €175 thousand were made directly with Herba Ricemills, S.L.U. (€125 thousand) and Herba Foods, S.L.U. (€50 thousand).

#### EXPLANATORY NOTE TEN, ON SECTION G

- Regarding Recommendation 2, there are no listed companies in the Ebro Foods Group apart from the parent, Ebro Foods S.A.
- Regarding Recommendation 20, none of the directors or the non-director Secretary have expressed any concern over the proposed resolutions submitted to the board or the development of the company.
- Regarding Recommendation 31, no directors have expressed their opposition to any of the proposals considering them to go against the company's interests. When the potential conflict of interests of certain Board members has been examined, neither the independent directors nor the directors affected by such potential conflicts have expressed such opposition or considered that the decisions adopted could be detrimental to shareholders not represented on the board.



## EXPLANATORY NOTE ELEVEN

- Ebro Foods, S.A. had an interest of 3.121% in Biosearch, S.A. at 31 December 2014. 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. It was part of the Ebro Group until January 2011. During the first half of 2014, the former non-director Secretary of the Board, Miguel Ángel Pérez Álvarez, was a proprietary director of Biosearch, nominated by Ebro as significant shareholder.

The transactions made between 1 January and 31 December 2014 between Biosearch, S.A. and different companies of the Ebro Foods Group are indicated below:

- Herba Ricemills, S.L.U., operating lease (income) for €26 thousand.
- Dosbio 2010, S.L.U., operating lease (expense) for €7 thousand.
- Ebro Foods, S.A., services rendered for €42 thousand.

- During the first half of 2014 Ebro Foods, S.A. held an interest in Deóleo, S.A. which was recognised in the Ebro Group accounts as "Available-for-sale financial assets". On 28 March 2014 Ebro Foods, S.A. reduced its interest to below 3% (ceased to be a significant shareholder) and since 13 May 2014 it has not held any interest in that company.

Antonio Hernández Callejas, Chairman of the Board of Ebro Foods, S.A., was proprietary director of Deóleo up to 31 January 2014, when he stepped down for professional reasons.

The transactions made between 1 January and 28 March 2014 between Deóleo and different companies of the Ebro Foods Group are indicated below:

- Herba Ricemills, S.L.U., services received for €12 thousand.
- Lassie Nederland BV, services received for €39 thousand.
- Ebro Foods, S.A., services rendered for €261 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 2014 between Riso Scotti and a subsidiary of the Ebro Foods Group are indicated below:

- Herba Ricemills, S.L.U., sale of goods (finished or otherwise), €1 thousand
- Herba Ricemills, S.L.U., services rendered, €6 thousand
- Herba Ricemills, S.L.U., purchase of goods (finished or otherwise), €62 thousand
- Herba Ricemills, S.L.U., services received, €1 thousand

## EXPLANATORY NOTE TWELVE

Both the Board of Directors and its Committees have already taken up the powers corresponding to them by virtue of the Corporate Enterprises Act as amended by Act 31/2014 of 3 December. At the date of this report the company is in the process of adapting its Articles of Association, Regulations of the General Meeting and Regulations of the Board to the new legal provisions.

This Annual Corporate Governance Report was approved by the Board of Directors of the company on 21/03/2015.

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 2014**

Dear Directors,

As per the request made by the Board of Directors of EBRO FOODS, S.A. (hereinafter, the Company) and our proposal letter of December 2, 2014, we have applied certain procedures in relation to the accompanying “ICFR disclosures” of EBRO FOODS, S.A. for 2014, 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 the design and effective functioning of the ICFR system adopted by the Company in respect of its annual financial reporting effort, the latter can only provide reasonable but not absolute assurance regarding the objectives pursued, due to the limitations intrinsic to any internal control system.

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

For the purpose of issuing this report, we have only carried out the specific procedures described below, as indicated in the Procedures for external audit reviews of an entity's ICFR disclosures contained in the Internal Control over Financial Reporting in Listed Companies report published by Spain's securities market regulator, the CNMV (and available on its website), which establishes the procedures to be performed, the scope thereof and the contents of this report. Given that the product 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 or effective functioning in respect of the Company's 2014 financial reporting disclosures, as described in the accompanying ICFR disclosures. As a result, had we performed additional procedures to those stipulated in the abovementioned CNMV report or had we performed an audit or review of the internal controls over the annual financial disclosures that the Company is required to present, other matters 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. Reading and understanding of the information prepared by the Company regarding ICFR – disclosures included in the management report – and an evaluation of whether this information meets all the minimum reporting requirements needed to fill out section F on the ICFR system in the Annual Corporate Governance Report template established in CNMV Circular 5/2013 of June 12, 2013.
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 above, including documents directly made available to those responsible for describing ICFR systems. The documentation to be reviewed may include reports prepared for the audit committee by internal audit, senior management and other internal or external specialists.
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 under the scope of the requirements stipulated in article 540 of the Consolidated Text of Spain's Corporate Enterprises Act and CNMV Circular 5/2013 of June 12, 2013 on ICFR-related descriptions in listed companies' Annual Corporate Governance Reports.

ERNST & YOUNG, S.L.

(Signed in the original in Spanish)

March 24, 2015

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David Ruíz-Roso Moyano



# **ANNUAL REPORT ON REMUNERATION**

**FOR THE YEAR ENDED DECEMBER 31, 2014**



## ANNEX 1

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

#### DETAILS OF ISSUER

<b>YEAR ENDED</b>	31/12/2014
<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 REPORT ON REMUNERATION OF THE DIRECTORS OF LISTED COMPANIES

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

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

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

#### Explain the remuneration policy

The Articles of Association regulate directors' remuneration in Article 22, making a distinction between the remuneration of directors as such (share in profits and attendance fees for board and committee meetings) and the remuneration corresponding to executive directors for their executive duties. Article 22 is transcribed in the first explanatory note in section E of this report.

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

(i) Directors shall be remunerated according to their duties, responsibilities and dedication. This remuneration shall be such as to retain talent and acknowledge the directors' track record.

(ii) The remuneration shall be set according to the importance of the company and its economic situation from time to time.

(iii) Directors' remuneration should be reasonable without compromising their independence of judgement, especially that of non-executive directors.

(iv) The remuneration system of directors, particularly executive directors, shall be designed to boost the company's long-term sustainability and profitability and maximise its value for the benefit of all its shareholders, avoiding excessive exposure to risks and reward for unfavourable results. In this regard, an attractive remuneration system has been designed for executive directors (and other senior executives of the Group) with a view to attracting and retaining talent and professional worth on the one hand, and securing an adequate balance between Group results and risk exposure on the other.

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

a) All directors, as such, receive a non-variable remuneration set in consideration of (i) the economic situation of the company (since the share in profits established in the articles is calculated on the basis of the consolidated profits of the Group) and (ii) the duties of each director on the board and in the different committees, and their attendance of board and committee meetings.

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



c) Like other senior executives of the Group, executive directors are rewarded for their executive duties as specified in their respective contracts. The remuneration of executive directors (and other senior executives of the Group) includes the following components:

- annual non-variable remuneration;
- short-term variable remuneration, depending on the degree of fulfilment of the quantitative and qualitative targets set by the board for each year, based on a report by the Nomination and Remuneration Committee. This remuneration is proportional to the fulfilment of the targets set, establishing a floor (below which variable remuneration is zero) and a ceiling (above which variable remuneration is capped at 150% of the amount payable for meeting the targets); and
- deferred annual variable remuneration, applicable in some cases, as explained in section A.4 of this report.

No material changes were made to the remuneration policy in 2014 in respect of the previous year.

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

### Explain the process for determining the remuneration policy

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

.../...

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

.../...

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

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

The Nomination and Remuneration Committee performs these duties at working meetings held throughout the year. The composition of this committee at the date of this report is as follows:

- Fernando Castelló Clemente (Non-Executive Independent Director) – Chairman
- Demetrio Carceller Arce (Non-Executive Proprietary Director) – Member
- Hispafoods Invest, S.L. represented by Blanca Hernández Rodríguez (Non-Executive Proprietary Director) – Member
- José Antonio Segurado García (Non-Executive Independent Director) – Member
- Luis Peña Pazos (Non-member Secretary)

Notwithstanding the powers of the Nomination and Remuneration Committee in this matter, following the reform introduced by Act 31/2014 the Board of Directors is exclusively competent to make “decisions on directors’ remuneration, in accordance with the articles of association and the remuneration policy, if any, approved by the general meeting”. Prior to the reform, the board of directors decided on the directors’ remuneration and the terms of contract of executive directors in view of a report issued by the Nomination and Remuneration Committee, in accordance with the good governance recommendations in place in 2014 (particularly Recommendation 8(b)(ii)).

The previous powers are included within the framework defined in Article 22 of the Articles of Association transcribed in Explanatory Note One, Section E of this report.

The company has not engaged the services of external advisers to define its remuneration policy for the year.

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

**Explain the non-variable components of directors' remuneration**

**a) Non-variable remuneration of the directors as such**

As regards the distribution of the directors' remuneration as such (share in the profits established in the articles) among the different Board members, according to the duties of each one on the Board and the different Committees, the scale currently in force, following the latest review agreed by the Board on 22 June 2006 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:
  - Member of the Committee: 0.2 points
  - Chairman: 0.05 points per meeting
  - Members: 0.03 points per meeting

On 25 February 2015, upon recommendation by the Nomination and Remuneration Committee, the Board resolved to freeze the director's share in the 2014 profits (to be laid before the shareholders at the AGM 2015), with no variation in respect of the previous four years. Consequently, a sum of 2,565,454 € will be proposed to shareholders at the Annual General Meeting, representing 1.76% of the consolidated net profit attributed to the company in 2014.

With a favourable report by the Nomination and Remuneration Committee, the Board further decided to table a motion at the AGM to maintain in 2014 the attendance fees of 1,600 € for attending the Ebro Foods board meetings and 800 € for attending the different committee meetings, giving a total sum in 2014 of 297,600 €.

**b) Non-variable remuneration of directors for performing executive duties**

The Chairman of the Board, the only executive director, received non-variable remuneration for the performance of executive duties of 693,609 € in 2014, in accordance with his contract.

For 2015 the non-variable remuneration of the chairman of the board for his executive duties has been raised by 1%, as marked in the general review of the non-variable remuneration of the senior management resolved by the board on 25 February 2015, following assessment and a favourable report by the Nomination and Remuneration Committee.

The individual amounts actually accrued in 2014 by each member of the Board for each of the components indicated above are set out in section D of this report.

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

In particular:

- Identify each of the remuneration schemes of which the directors are beneficiaries and the scope, date of approval, date of implementation, effective period and main features thereof. In the case of stock option plans and other financial instruments, the general

features of the plan shall include information on the conditions for the exercise of those options or financial instruments for each scheme.

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

#### **Explain the variable components of directors' remuneration**

The Chairman of the Board, the only executive director, receives variable remuneration on similar terms to the rest of the senior management.

The variable remuneration of the executive director includes:

(i) Ordinary annual variable remuneration: As mentioned in point A.1 above, the annual variable remuneration is proportionate to the level of achievement of the objectives established for each year by the board, in view of a recommendation and report by the Nomination and Remuneration Committee.

The ordinary annual variable remuneration accrues according to the rules set out in the second explanatory note in section E of this report.

On 25 February 2015, following a favourable report by the Nomination and Remuneration Committee, the board established the budgeted EBITDA for the consolidated group as the only objective to be assessed for the ordinary annual variable remuneration of the executive director in 2015.

For 2014, after examining the achievement of the objective established (EBITDA budgeted for the Consolidated Group 2014), it was established that the target had been met in a percentage of 102.59% and, following assessment and a favourable report by the Nomination and Remuneration Committee, the Board resolved on 25 February 2015 to set the variable remuneration for the executive director at 703,849 €.

(ii) Deferred annual variable remuneration: On 24 April 2013, on recommendation of the Nomination and Remuneration Committee, the board of directors of Ebro Foods, S.A. approved a Deferred Annual Bonus Scheme linked to fulfilment of the Strategic Plan 2013-2015 for the senior management of the Ebro Foods Group. The Chairman of the Board, as executive director, participates in that scheme according to the terms of his contract.

The performance criteria to which the deferred bonus is linked are the annual EBITDA and ROCE for the three years covered by the scheme.

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 beneficiaries of the scheme (including the Chairman of the Board as executive director) will only be entitled to receive the bonus earlier if (i) their employment relationship with the company ends during the period of the scheme owing to their death or a final declaration of total, absolute or major disability; or (ii) takeover of the Group or any similar corporate operation.

The Chairman of the Board is entitled to a deferred annual bonus for his executive duties proportional to the degree to which the set targets have been met, such that if the budgeted EBITDA and ROCE are fully met, he will be entitled to 100% of the bonus, capped at 125% of the budgeted targets and with a floor of 85% of the budgeted targets, below which no bonus will accrue.

This year (2015) the Chairman of the Board has received a sum of 524 thousand euros as deferred annual variable remuneration for 2013 under the current Deferred Annual Bonus Scheme linked to the Strategic Plan 2013-2015. That sum represents 25% of the remuneration for the 3-year period, for which a provision was recognised in the 2013 annual accounts.

A provision of 455 thousand euros has been recognised in the company's accounts for 2014 as a provisional estimate of the deferred annual variable remuneration payable to the Chairman of the Board (as executive director) corresponding to 2014, according to the prevailing Deferred Annual Bonus Scheme linked to the Strategic Plan 2013-2015. That sum represents 25% of the remuneration for the 3-year period and will be payable in 2016.

In 2014 the Chairman of the Board received the deferred annual variable remuneration corresponding to 2012 under the Deferred Annual Bonus Scheme linked to the Strategic Plan 2010-2012, in a sum of 1,296,926 euros, equivalent to 70% of the remuneration for the 3-year period 2010-2012. A provision had been recognised in the 2012 accounts for this bonus.

The above-mentioned schemes (under both the Strategic Plan 2013-2015 and the Strategic Plan 2010-2012) are not linked to the value of the company's share, nor does it entail receipt by its beneficiaries of any shares or rights thereover.

Garrigues Human Capital Services counselled the company in the preparation of the deferred annual bonus scheme linked to fulfilment of the Strategic Plan 2010-2012. The Deferred Annual Bonus Scheme corresponding to the Strategic Plan of the Ebro Foods Group 2013-2015 has been prepared on the basis of the previous scheme (2010-2012).

No further collaboration has been received from any other external consultant on the subjects contemplated in this report.

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

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

<b>Explain the long-term saving schemes</b>
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No contributions have been made to any pension funds or schemes for former or present members of the Board of Directors and no obligations have been contracted in this respect.

Nor have any contributions been made or obligations contracted for directorships in other group companies.

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

<b>Explain compensations</b>
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No compensations have been arranged or paid for termination of directors' duties as such.

- A.7 State the terms and conditions to be respected in the contracts of executive directors performing senior management duties. Include information, inter alia, on the term, limits on severance pay and other compensations, continued service clauses, required notice**

and payment in lieu of notice, and any other clauses relating to golden hellos, as well as golden parachutes or any other compensation payable on termination of the contractual relationship between the company and the executive director. Include details of any clauses or agreements on restraint of trade, exclusive dedication, minimum employment commitment, loyalty and no competition during and after employment.

#### **Explain the terms of executive director contracts**

Pursuant to sections 249, 529q and 529n of the Corporate Enterprise Act (as amended in Act 31/2014) and Article 22 of the Articles of Association, the Board is competent to establish the terms of contracts to be signed by the company with its executive directors, upon recommendation by the Nomination and Remuneration Committee and within the Remuneration Policy approved by the General Meeting.

The principal terms of contract of the Chairman of the Board, the only executive director (apart from the remuneration, which is explained in other sections of this report) are as follows:

- Term: indefinite
- Notice: three months
- Termination benefits: none
- Continued service or post-contract no competition clauses: none

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

#### **Explain supplemental remuneration**

No supplemental remuneration is earned by directors for services rendered in addition to those inherent in their directorship.

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

#### **Explain advances, loans and guarantees given**

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

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

#### **Explain remuneration in kind**

The Chairman of the Board receives remuneration in kind to the extent of private use made of the company car allocated to him.

In addition, the company has a Flexible Remuneration Scheme, through which it is possible to design the composition of remuneration of the executives included in the scheme, including the Chairman of the Board, so that they may receive part of that remuneration in the form of products and services previously selected by the company, the amount of which is discounted from the executive's salary and he/she is instead allocated the income in kind corresponding to the product or service. These products and services include a group medical insurance, housing rental, nursery, vehicle hire/lease and training of the employee. These items do not entail additional remuneration to that received in cash, since the amounts paid by the company to the corresponding service providers are deducted from the executive's salary.

#### **A.11 Indicate the remuneration accrued by the director by virtue of payments made by the listed company to a third party in which the director works, when such payments are**

**Explain remuneration accrued by the director by virtue of payments made by the listed company to a third party in which the director works**

No payments of this nature have been made.

- A.12 Indicate any item of remuneration other than those listed above, of whatever nature and provenance within the group, especially when it is considered a related party transaction or when it may distort the true and fair view of the total remuneration accrued by the director.

**Explain the other remuneration items**

There are no remunerations other than those listed above.

- A.13 Explain the actions taken by the company regarding the remuneration system in order to reduce exposure to excessive risk and align it with the long-term goals, values, and interests of the company, including any reference to measures provided to ensure that the remuneration policy takes into account the long-term results of the company, measures establishing an appropriate balance between the non-variable and variable components of remuneration, measures adopted with respect to those categories of personnel whose professional activities have a significant impact on the company's risk profile, recovery formulas or clauses for clawback of bonuses based on performance based on data which subsequently proves to be manifestly misstated, and measures taken to avoid conflicts of interest, where necessary.

**Explain measures taken to reduce risks**

The current Deferred Annual Variable Remuneration Scheme described in section A.4 links the payment of bonuses to the meeting of targets set each year and the beneficiary's continued employment in the Group at the date of payment established for those incentives, except in cases of (i) death or disability of the beneficiary or (ii) takeover in the Group or a similar corporate operation or any other extraordinary circumstance which may, in the board's opinion, materially affect the scheme.

The general conditions of the scheme include an adjustment clause whereby the Board of Directors of Ebro Foods, S.A. will adopt such resolutions as may be necessary to ensure that in any event or corporate operation or other extraordinary circumstances that might affect the calculation of deferred remuneration payable, the gross remuneration will be equivalent to the remuneration that would have been payable had that circumstance not existed.

The scheme also includes a clawback clause whereby the Board of Directors of Ebro Foods, S.A. may require directors to repay all or part of any deferred bonus paid under the scheme when it considers such amounts to have been unduly paid, either because the amounts paid under the scheme do not correspond to the degree of fulfilment of the required targets, or because they were calculated on the basis of data subsequently proved to be misstated.

## **B REMUNERATION POLICY FOR FUTURE YEARS**

- B.1 Provide a general forecast of the remuneration policy for future financial years, describing the policy with respect to non-variable components and attendance fees and remuneration of a variable nature, relationship between remuneration and results, welfare schemes, terms of contract of executive directors and the most significant changes foreseeable in remuneration policy in respect of previous years.

## General forecast of remuneration policy

### a) Remuneration of directors as such:

As at the date of this report, no changes are envisaged in the remuneration policy for directors as such in the medium or long term. Any possible change would in any case be made within the limits of the remuneration policy approved by the general meeting.

### b) Remuneration of executive directors for their executive duties:

#### b.1) Non-variable remuneration:

On 11 February 2015 the Nomination and Remuneration Committee decided to recommend the board to raise the non-variable remuneration of the Chairman of the Board as executive director, above that corresponding to the other Group executives. This was to be discussed separately as one of the points of the future Strategic Plan 2016-2018, such that the rise, if any, would be effective as from 2016. This proposal was based on the fact that his non-variable remuneration had not been revised (other than the general review of the non-remuneration of all senior management in the Group) since the date of his contract (2006).

On 25 February 2015 the Board approved the proposal submitted by the Nomination and Remuneration Committee so the Strategic Plan 2016-2018 contemplates an increase in the non-variable remuneration of the Chairman of the Board for his executive duties.

#### b.2) Ordinary annual variable remuneration:

No changes are foreseeable in the medium/long term in the ordinary annual variable remuneration of the executive director.

The rules governing this remuneration are set out in the second explanatory note of section E.

#### b.3) Deferred annual variable remuneration:

As mentioned in A.4 above, on 24 April 2013, on recommendation of the Nomination and Remuneration Committee, the board of directors of Ebro Foods, S.A. approved a Deferred Annual Bonus Scheme linked to fulfilment of the Strategic Plan 2013-2015 for the senior management of the Ebro Foods Group, including the Chairman of the Board as executive director.

The board will consider establishing a new Deferred Annual Bonus Scheme linked to fulfilment of the future Strategic Plan 2016-2018 for subsequent years.

Although the board will take account of the prevailing rules and recommendations on good governance, the new Deferred Annual Bonus Scheme is not expected to differ greatly from the one currently in force.

## B.2 Explain the decision-making process for defining the remuneration policy for future years and the role played, if any, by the remuneration committee.

### Explain the decision-making process for defining the remuneration policy

Unless future changes in law so require, the decision-making process to define the remuneration policy for future years and the role played by the Nomination and Remuneration Committee are not expected to deviate from those described in section A.2 above.

## B.3 Explain the incentives created by the company in the remuneration system to reduce excessive risk exposure and align them with the long-term goals, values and interests of the company.

### Explain the incentives created to reduce risks

Although the company has established a complete Risk Control System, as described in sections E.1, E.2, E.3, E.4 and E.6 of the Annual Corporate Governance Report 2014, it has not been considered necessary to



establish any additional mechanism in the remuneration system to reduce excessive risk exposure, other than the adjustment and clawback clauses explained in section A.13 above.

As regards aligning the incentives with the long-term goals, values and interests of the company, Ebro Foods, S.A. has established a Deferred Annual Bonus Scheme linked to the company's Strategic Plan on the terms described elsewhere in this report.

## **C OVERALL SUMMARY OF APPLICATION OF THE REMUNERATION POLICY DURING THE REPORTING PERIOD**

C.1 Give a brief description of the main features of the structure and pay items of the remuneration policy applied during the reporting period, indicating the individual remuneration accrued by each of the directors listed in section D of this report, and a summary of the decisions adopted by the board for application of those items.

<b>Describe the structure and pay items of the remuneration policy applied during the year</b>
--

a) Remuneration of directors as such:

The annual fixed allocation to the directors in 2014 pursuant to the articles was:

- members of the board, a total sum of 1,669,137 €
- members of the board committees, a total sum of 896,316 €

Attendance fees for meetings of the Board of Directors of Ebro Foods, S.A. and committees amounted to 297,600 €.

This notwithstanding, both the total amount of the share in the profits and the sums payable as attendance fees are subject to approval at the AGM 2015.

The sums received by the Board members in 2014 as share in profits and attendance fees were the same as in 2013.

b) Remuneration of the Chairman of the Board for his executive duties:

The sums received by the Chairman of the Board in 2014 as the only executive director were, in accordance with his contract, as follows:

- Non-variable remuneration: 693,609 €
- Short-term variable remuneration: 703,849 €.
- Long-term variable remuneration: 1,296,926 € corresponding to 2012 and paid in 2014.
- Termination benefits: none have been paid in the period and none are anticipated in the foreseeable future.

See section E, explanatory note four for the attendance fees received in 2014 by the Chairman of the Board as member of the Board of a subsidiary in the Ebro Foods Group (quantified in section D.1) and two associates.

The Board of Directors approved the above items and amounts assigned to them upon recommendation by the Nomination and Remuneration Committee.

## D INDIVIDUAL REMUNERATION ACCRUED BY EACH DIRECTOR

Name	Type	Accrual period 2014
ANTONIO HERNÁNDEZ CALLEJAS	Executive	From 01/01/2014 to 31/12/2014
ALIMENTOS Y ACEITES, S.A.	Proprietary	From 01/01/2014 to 31/12/2014
FERNANDO CASTELLÓ CLEMENTE	Independent	From 01/01/2014 to 31/12/2014
JOSE IGNACIO COMENGE SÁNCHEZ-REAL	Independent	From 01/01/2014 to 31/12/2014
DEMETRIO CARCELLER ARCE	Proprietary	From 01/01/2014 to 31/12/2014
SOL DAURELLA COMADRÁN	Independent	From 01/01/2014 to 31/12/2014
EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.	Proprietary	From 18/12/2014 to 31/12/2014
HISPAFOODS INVEST, S.L.	Proprietary	From 30/01/2014 to 31/12/2014
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	Proprietary	From 01/01/2014 to 31/12/2014
JOSÉ NIETO DE LA CIERVA	Proprietary	From 01/01/2014 to 31/12/2014
RUDOLF-AUGUST OETKER	Proprietary	From 01/01/2014 to 31/12/2014
EUGENIO RUIZ-GÁLVEZ PRIEGO	Non-Executive	From 01/01/2014 to 31/12/2014
JOSÉ ANTONIO SEGURADO GARCÍA	Independent	From 01/01/2014 to 31/12/2014

D.1 Complete the following tables regarding the individualised remuneration of each of the directors (including the remuneration for the financial year for executive duties) accrued during the financial year.

a) Remuneration accrued in the reporting company:

Name	Salaries	Non-variable remuneration	Attendance fees	Short-term variable remuneration	Long-term variable remuneration	Remuneration as members of Board committees	Termination benefits	Other items	Total 2014	Total 2013
ANTONIO HERNÁNDEZ CALLEJAS	694	231	22	703	1,297	139	0	0	3,086	2,079
DEMETRIO CARCELLER ARCE	0	173	27	0	0	172	0	0	372	390
ALIMENTOS Y ACEITES, S.A.	0	116	18	0	0	0	0	0	134	136
FERNANDO CASTELLÓ CLEMENTE	0	116	28	0	0	73	0	0	217	220
JOSE IGNACIO COMENGE SÁNCHEZ-REAL	0	116	23	0	0	33	0	0	172	176
SOL DAURELLA COMADRÁN	0	106	26	0	0	68	0	0	200	220
EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.	0	116	18	0	0	0	0	0	134	11
HISPAFOODS INVEST, S.L.	0	116	28	0	0	66	0	0	210	214
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	0	116	18	0	0	23	0	0	157	165
JOSÉ NIETO DE LA CIERVA	0	116	22	0	0	139	0	0	277	291
RUDOLF-AUGUST OETKER	0	116	17	0	0	0	0	0	133	138
EUGENIO RUIZ-GÁLVEZ PRIEGO	0	116	23	0	0	33	0	0	172	176
JOSÉ ANTONIO SEGURADO GARCÍA	0	116	27	0	0	149	0	0	292	302

**ii) Share-based remuneration schemes**

**iii) Long-term saving schemes**

**b) Remuneration accrued by company directors for directorships in other group companies:**

**i) Remuneration in cash (thousand euros)**

Name	Salaries	Non-variable remuneration	Attendance fees	Short-term variable remuneration	Long-term variable remuneration	Remuneration as members of Board committees	Termination benefits	Other items	Total 2013	Total 2012
ANTONIO HERNÁNDEZ CALLEJAS	0	0	5	0	0	0	0	0	5	27
DEMETRIO CARCELLER ARCE	0	0	0	0	0	0	0	0	0	0
ALIMENTOS Y ACEITES, S.A.	0	0	0	0	0	0	0	0	0	0
FERNANDO CASTELLÓ CLEMENTE	0	0	0	0	0	0	0	0	0	0
JOSE IGNACIO COMENGE SÁNCHEZ-REAL	0	0	0	0	0	0	0	0	0	0
SOL DAURELLA COMADRÁN	0	0	0	0	0	0	0	0	0	0
EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.	0	0	0	0	0	0	0	0	0	0
HISPAFOODS INVEST, S.L.	0	0	0	0	0	0	0	0	0	0
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	0	0	0	0	0	0	0	0	0	0
JOSÉ NIETO DE LA CIERVA	0	0	0	0	0	0	0	0	0	0
RUDOLF-AUGUST OETKER	0	0	0	0	0	0	0	0	0	0
EUGENIO RUIZ-GÁLVEZ PRIEGO	0	0	0	0	0	0	0	0	0	0
JOSÉ ANTONIO SEGURADO GARCÍA	0	0	0	0	0	0	0	0	0	0

**ii) Share-based remuneration schemes**

**iii) Long-term saving schemes**

**c) Summary of remunerations (thousand euros):**

This should include a summary of the amounts of all the remuneration items contemplated in this report accrued by directors, in thousand euros.

In the case of long-term saving schemes, indicate the contributions or allocations made:

Name	Remuneration accrued in the company				Remuneration accrued in group companies				Total		
	Total cash remuneration	Amount of shares awarded	Gross gain on the options exercised	Total 2014 company	Total cash remuneration	Amount of shares delivered	Gross gain on the options exercised	Total 2014 group	Total 2014	Total 2013	Contribution to saving schemes during the year
ANTONIO HERNÁNDEZ CALLEJAS	3,086	0	0	3,086	5	0	0	5	3,091	2,106	0
DEMETRIO CARCELLER ARCE	372	0	0	372	0	0	0	0	372	390	0
ALIMENTOS Y ACEITES, S.A.	134	0	0	134	0	0	0	0	134	136	0
FERNANDO CASTELLÓ CLEMENTE	217	0	0	217	0	0	0	0	217	220	0
JOSE IGNACIO COMENGE SÁNCHEZ-REAL	172	0	0	172	0	0	0	0	172	176	0
SOL DAURELLA COMADRÁN	200	0	0	200	0	0	0	0	200	220	0
EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.	134	0	0	134	0	0	0	0	134	11	0
HISPAFOODS INVEST, S.L.	210	0	0	210	0	0	0	0	210	214	0
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	157	0	0	157	0	0	0	0	157	165	0
JOSÉ NIETO DE LA CIERVA	277	0	0	277	0	0	0	0	277	291	0
RUDOLF-AUGUST OETKER	133	0	0	133	0	0	0	0	133	138	0
EUGENIO RUIZ-GÁLVEZ PRIEGO	172	0	0	172	0	0	0	0	172	176	0
JOSÉ ANTONIO SEGURADO GARCÍA	292	0	0	292	0	0	0	0	292	302	0
<b>TOTAL</b>	<b>5,556</b>	<b>0</b>	<b>0</b>	<b>5,556</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>5,561</b>	<b>4,545</b>	<b>0</b>

D.2 Describe the relationship between the remuneration received by the directors and the company's earnings or other performance indicators, explaining how any variations in the company's performance may have had a bearing on the variation in directors' remuneration.

As explained elsewhere in this report, the directors' remunerations are linked to the company's results, both the share in profits stipulated in the articles for all the directors and the variable remuneration of the Chairman for his executive duties.

D.3 Report the outcome of the advisory vote at the annual meeting on the annual remuneration report for the previous year, indicating the number of votes against, if any:

	Number	% of total votes
Votes cast	92,848,324	85.03%

	Number	% of total votes
Votes against	1,701,430	1.56%
Votes for	91,146,693	83.47%
Abstentions	201	0.00%

## E OTHER INFORMATION OF INTEREST

If there are any material aspects relating to directors' remuneration that could not be disclosed in other sections of this report but that are necessary to provide a more comprehensive and fully reasoned picture of the remuneration structure and practices for the company's directors, describe them briefly.

### EXPLANATORY NOTE ONE ON SECTION A.1

Article 22 of the Articles of Association mentioned in section A.1 of this report is transcribed below:

#### "Article 22: Remuneration

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."

#### EXPLANATORY NOTE TWO ON SECTION A.4

- The ordinary annual variable remuneration of the executive director described in section A.4 accrues according to the following rules:

(i) If the targets are fully met (100%), an annual variable remuneration equivalent to 100% of the non-variable remuneration is paid.

(ii) If the targets are exceeded, the variable remuneration may be increased to no more than 150% of the non-variable remuneration. So if targets are met in a proportion of over 100%, the ordinary annual variable remuneration will be increased in the same proportion up to a ceiling of 150% of the non-variable remuneration. Therefore, if the targets are surpassed by more than 150%, the ordinary annual variable remuneration will be 150% of the non-variable remuneration, at which it is capped.

(iii) If the targets are not met, the ordinary annual variable remuneration will be reduced in proportion to the percentage fulfilment (under 100%) achieved, with a minimum of 85%, such that if targets are met in a proportion of less than 85%, no ordinary annual variable remuneration will accrue.

(iv) As an exception considering special dedication by the executive director and a temporary situation in the company or group, the board may, upon recommendation by the Nomination and Remuneration Committee, decide to raise the variable remuneration of the executive director to the maximum limit established for his non-variable remuneration.

- It is further mentioned that the deferred annual bonus scheme described in section A.4 above is in keeping with the recommendations on remuneration established in the Unified Code of Corporate Governance for Listed Companies of June 2013.

#### EXPLANATORY NOTE THREE ON SECTIONS C.1 AND D.1

- The sum of attendance fees 2014 corresponding to Antonio Hernández Callejas indicated in Section D.1, b) and c) include those received as director of Pastificio Lucio Garofalo, S.p.A. (company in the Ebro Foods Group) in a sum of 5,000 euros.

- In 2014 the Chairman of the Board also received the following amounts from two associates of the Ebro Foods Group, for the items mentioned:

(i) as director of Deóleo, S.A. up to 31 January 2014 he received 3,416 € in attendance fees. Ebro Foods, S.A. had a major interest in that company up to 28 March 2014.

(ii) as director of Riso Scotti, S.p.A. he received 5,200 € in attendance fees. Ebro Foods, S.A. holds a 25% interest in that company.

#### EXPLANATORY NOTE FOUR ON SECTION D.3

The breakdown of the total votes cast (92,848,324) in the voting on the advisory vote at the AGM 2014 on the Report on Directors' Remuneration mentioned in section D.3 was as follows:

- Votes for: 91,146,693

- Votes against: 1,701,430

- Blank votes: 201

In addition to these votes, there were 16,342,095 abstentions, equivalent to 14.97% of the capital present and represented at the AGM, which can formally not be considered votes cast.

#### EXPLANATORY NOTE FIVE

This remuneration report contains the remuneration policy for company directors contemplated in section 529r of the Corporate Enterprises Act.



Pursuant to the transitional provision of Act 31/2014 amending the Corporate Enterprises Act to enhance corporate governance, if the annual general meeting held in 2015 approves this report in an advisory vote, the remuneration policy contained herein will also be considered approved for the purposes of section 529r, remaining in force for the coming three years.

This annual remuneration report was approved by the board of directors of the company at its meeting of 24/03/2015.

State whether any directors voted against or abstained in connection with the approval of this Report.

Yes

No



**REPORT OF THE AUDIT AND  
COMPLIANCE COMMITTEE**

# ANNUAL ACTIVITY REPORT OF THE AUDIT AND COMPLIANCE COMMITTEE OF EBRO FOODS, S.A. FOR THE YEAR

ENDED 31 DECEMBER 2014

## 1. DUTIES AND RESPONSIBILITIES

The Audit and Compliance Committee was set up by virtue of a resolution adopted by the Board of Directors on 22 September 1998. As a delegated committee of the board it has the duties and responsibilities attributed to it by law, the Articles of Association and the Regulations of the Board of Directors of Ebro Foods, S.A. (the "Company").

Under Article 28.2 of the Articles of Association, "The Audit and Compliance Committee shall have the following powers:

- ❖ *Report, through its Chairman, to the General Meeting on any issues raised by shareholders concerning matters within its competence.*
- ❖ *Propose to the Board, for submission to the General Meeting, the appointment of the external auditors and, where appropriate, their terms of contract, the scope of their commission and the renewal or revocation of their engagement.*
- ❖ *Supervise the effectiveness of internal control of the company, internal auditing and risk management systems, if any, and discuss with the external auditors any significant weaknesses in the internal control system detected in audits.*
- ❖ *Oversee the financial reporting process and internal control systems of the Company.*
- ❖ *Have contacts with the external auditors to receive information on any issues that may jeopardise their independence, for study by the Audit Committee, and any other issues relating to the auditing of accounts, and receive information from and exchange communications with the External Auditors in accordance with prevailing auditing standards and legislation.*
- ❖ *Issue an annual report, prior to the issuance of the auditors' report, expressing an opinion on the independence of the external auditors. This report shall necessarily refer to the provision of the additional services contemplated in the preceding paragraph.*
- ❖ *Ensure that all transactions between the Company and its subsidiaries or associated companies or between those companies and the directors and controlling shareholders are effected on arm's length terms, respecting the principle of equal treatment and controlling any conflicts of interest that may arise in intercompany transactions."*

The minimum powers established in the Articles of Association are developed in Article 13 of the Regulations of the Board:

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

- a) *Supervise and promote internal control of the company and the risk management systems and submit recommendations to the Board regarding the risk management and control policy, specifying at least:
  - ❖ *The types of risk (operating, technological, financial, legal and reputational) 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 the systems used for preparing the separate and consolidated Annual Accounts and Directors’ Report submitted to the Board to be officially drawn up and 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.*

*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. Furthermore, whenever the Committee so requests its Chairman, its meetings may be attended by any member of the company management, who may speak but not vote.*

- 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.*

**13.4.** *The Audit and Compliance Committee shall, through its Chairman, propose to the Board, for submission to the General Meeting, the appointment of the External Auditors of the Company 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. 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.*

**13.5.** *The Audit and Compliance Committee shall also 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.*

**13.6.** *The Audit and Compliance Committee shall also, through its Chairman, report to the General Meeting on any issues raised by shareholders concerning matters within its competence.”*

Since the reform of the Corporate Enterprises Act made by Act 31/2014 of 3 December, the Audit and Compliance Committee must also issue a prior report to the Board of Directors on the creation or acquisition of interests in special purpose vehicles or companies domiciled in countries or territories considered tax havens.

## **2. COMPOSITION**

The composition of the Audit and Compliance Committee is regulated in Article 28.2 of the company's Articles of Association and Article 13.1 of the Regulations of the Board.

Article 28.2 of the Articles of Association provides that: *“An Audit and Compliance Committee shall be set up within the Board, with no fewer than three nor more than five directors appointed by the Board. All the members of this Committee shall be non-executive directors and at least one of them shall be an independent director, who shall be appointed on the basis of his experience and expertise in accounting, auditing or both.*

*The Board shall appoint the Chairman of the Audit and Compliance Committee from among its members. The Committee Chairman shall be replaced every four years and will become eligible for re-election one year after his retirement as such. In the event of absence or temporary unavailability of the Chairman, he shall be substituted by a member of the Committee provisionally so nominated by the Board, or otherwise by the oldest Committee member.”*

Since the reform of the Corporate Enterprises Act made by Act 31/2014 of 3 December, there must, by law, be at least two independent directors on the Audit and Compliance Committee. Since the Audit and Compliance Committee already met this condition, it has not been necessary to alter its composition to comply with this change in legislation, although an alteration of the Articles will be tabled at the forthcoming Annual General Meeting to include the new legal requirement on this point.

Article 13.1 of the Regulations of the Board establishes the following:

*“The Audit and Compliance Committee shall have no fewer than three nor more than five non-executive directors appointed by the Board in accordance with the Articles of Association.*

*The Board shall appoint one of the independent directors on the Committee to be Chairman, who shall be replaced every four years, becoming eligible for re-election one year after his retirement as such. This notwithstanding, the Chairman of the Board may attend and participate in the meetings of this Committee, although he may not vote.*

*In the event of absence or temporary unavailability of the chairman, he shall be provisionally substituted by a Committee member nominated by the Committee, or otherwise by the oldest Committee member.*

*The Secretary of the Board shall act as Secretary of this Committee, with voice but no vote, issuing minutes of the resolutions adopted.”*

At the beginning of 2014, the Audit and Compliance Committee had the following five members:

- ❖ Sol Daurella Comadrán - Chairman (independent director)
- ❖ Fernando Castelló Clemente - Member (independent director)
- ❖ José Ignacio Comenge Sánchez-Real - Member (independent director)
- ❖ Hispafoods Invest, S.L. (Blanca Hernández Rodríguez) - Member (proprietary director)
- ❖ Eugenio Ruiz-Gálvez Priego - Member (“Other non-executive” director)

The following changes were produced during 2014 in the composition of the Audit and Compliance Committee:

- ❖ On 26 November 2014, upon recommendation by the Nomination and Remuneration Committee, the Board unanimously resolved to appoint José Ignacio Comenge Sánchez-Real Chairman of the Audit and Compliance Committee, taking over from Sol Daurella Comadrán, whose 4-year term in office had expired.
- ❖ On 1 December 2014, Sol Daurella Comadrán resigned from the board (for professional reasons) and, consequently, also from the Audit and Compliance Committee.

To sum up, at 31 December 2014, the composition of the Audit and Compliance Committee was as below and there have been no further changes up to the date of issue of this Report:

- ❖ José Ignacio Comenge Sánchez-Real - Chairman (independent director)
- ❖ Fernando Castelló Clemente - Member (independent director)
- ❖ Hispafoods Invest, S.L. (Blanca Hernández Rodríguez) - Member (proprietary director)
- ❖ Eugenio Ruiz-Gálvez Priego - Member (“Other non-executive” director)

As stipulated in the Regulations of the Board, Luis Peña Pazos, non-member Secretary of the Board, is (non-member) Secretary of the Audit and Compliance Committee.

### 3. PROCEDURE

Article 18.2 of the Articles of Association provides that: *“The Audit and Compliance Committee shall meet as and when called by its Chairman, whenever decided by at least two of its members or at the request of the Board. Committee meetings shall be held at the registered office or wheresoever else may be decided by the Chairman and indicated in the notice of call, and shall be quorate when attended, in person or by proxy, by the majority of its members. Resolutions shall be carried with the votes in favour of the majority of members attending the meeting. In the event of a tie, the Chairman, or acting Chairman, shall have the casting vote. The Secretary of the Committee shall be appointed by the Board and shall issue minutes of the resolutions adopted, which shall be reported to the Board.”*

Article 13.2 of the Regulations of the Board establish that: *“The Audit and Compliance Committee shall meet as and 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 the Board requests the issuance of reports, submission of proposals or adoption of resolutions within the scope of its duties. Meetings shall be called by the Secretary of the Committee following instructions of the Chairman. Apart from the Committee members, any company executive may be called to meetings.*

*Committee meetings shall be held at the registered office or wheresoever else may be decided by the Chairman and indicated in the notice of call, and shall be quorate when attended, in person or by proxy, by the majority of its members.*

*Resolutions shall be carried with the votes in favour of the majority of members attending the meeting. In the event of a tie, the Chairman, or acting chairman, shall have the casting vote.*

*At the following Board meeting, the Chairman of the Audit and Compliance Committee shall report on all resolutions, reports or proposals made by the Committee since the previous Board meeting. Directors shall have access to the minutes of Committee meetings, through the Secretary of the Board.”*

### 4. ACTIVITIES PERFORMED DURING 2014

The Audit and Compliance Committee held six meetings in 2014, all attended by the Committee Chairman, and it adopted written resolutions on one occasion.

The actions taken by the Audit and Compliance Committee during the year are summarised below:

#### **Meeting on 26 February 2014:**

- ❖ The external auditing of the separate and consolidated annual accounts 2013 was monitored.
- ❖ The committee checked and agreed to issue a favourable report to the Board on the H2 2013 financial report.
- ❖ It approved the Internal Audit Plan for 2014 presented by the Internal Audit Manager.

#### **Meeting on 26 March 2014:**

- ❖ The committee checked and agreed to issue a favourable report to the Board on the separate and consolidated annual accounts and directors' report 2013. During the review, the external audit of the company and its group (Deloitte at that time) submitted its draft unqualified auditors' report.



- ❖ The draft report by the auditors on the FRICS (financial reporting internal control system) 2013 was reviewed.
- ❖ After the corresponding review, a favourable report was issued on the independence of the auditors.
- ❖ Related party transactions and potential conflicts of interests in 2013 were reviewed and a favourable report was issued on those transactions and situations, and on their authorisation in 2014.
- ❖ The report submitted by the Internal Audit Manager on the company and group risk control system in 2013 was assessed and a favourable report was issued to the Board.
- ❖ The Committee's Activity Report for 2013 was issued, to be submitted to the Board.
- ❖ It was agreed to institute a process of consultations among the *big four* auditing firms with a view to submitting a proposal to the Board, to be laid before the general meeting, on the appointment of an external auditor for 2014 and, if appropriate, 2015 and 2016.

#### **Meeting on 28-29 April 2014:**

- ❖ The different bids submitted by the candidates for auditing services were assessed, with the presence and presentations by representatives of the *big four*.
- ❖ The committee checked and agreed to issue a favourable report to the Board on the Q1 2014 financial report.

#### **Written resolution adopted on 30 April 2014:**

- ❖ In view of the presentations given by the candidate firms at the meetings held on 28-29 April 2014, it was resolved to propose to the Board, for submission to the general meeting, the engagement of Ernst & Young, S.L. as Auditor of the company and its group for a term of three years, to audit the separate and consolidated annual accounts and directors' reports of Ebro Foods, S.A. for the years 2014, 2015 and 2016.

#### **Meeting on 30 July 2014:**

- ❖ The committee checked and agreed to issue a favourable report to the Board on the HQ1 2014 financial report.
- ❖ The Committee examined the report issued by the Internal Audit Department on one of the Group's subsidiaries, under the Internal Audit Plan 2014.
- ❖ The Committee analysed the latest changes in corporate governance and company law being adopted (or in the process of adoption) at that time in Spain and Europe.

#### **Meeting on 30 October 2014:**

- ❖ The committee checked and agreed to issue a favourable report to the Board on the Q3 2014 financial report.
- ❖ The Committee examined the report issued by the Internal Audit Department on one of the Group's subsidiaries, under the Internal Audit Plan 2014.
- ❖ The Committee examined the report issued by the Internal Audit Department on the Audit Bill.

#### **Meeting on 17 December 2014:**

- ❖ This was the first meeting held to monitor the external audit work in respect of the separate and consolidated annual accounts of 2014, and was attended by representatives of the external auditor.
- ❖ The Committee studied and decided to issue a favourable report to the Board on the proposal for dividends against 2014 profits (payable in 2015), on the terms that were subsequently approved by the Board and announced to the market on 18 December 2014.

- ❖ The Committee examined the report issued by the Internal Audit Department on one of the Group's subsidiaries, under the Internal Audit Plan 2014.
- ❖ The report issued by an external auditor on Personal Data Protection was studied.

The Audit and Compliance Committee informed the Board promptly on all issues discussed at its meetings during 2014.

## **5. WHISTLE-BLOWING CHANNEL**

No complaints or reports were received through the whistle-blowing channel during 2014.

The last of the enquiries opened in respect of a report submitted in September 2013 was concluded in March 2014. After due investigation, the reporting employee was notified of the conclusions pursuant to the procedure established and the enquiry was filed by the Commission Secretary.

## **6. INTERNAL AUDIT PLAN FOR 2015**

On 26 February 2015 the Audit and Compliance Committee unanimously approved the Internal Audit Plan for 2015, presented by the Department Manager.

## **7. RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THE ANNUAL ACTIVITY REPORT OF THE AUDIT AND COMPLIANCE COMMITTEE**

The Audit and Compliance Committee assumes responsibility for the contents of this Report, approved by the Committee on 24 March 2015. This report will be made available to the company's shareholders and investors within the General Meeting section on the corporate website [www.ebrofoods.es](http://www.ebrofoods.es) coinciding with publication of the notice of call to the forthcoming Annual General Meeting.

Issued in Madrid on 24 March 2015.