

**EBRO 2012**

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**ANNUAL CORPORATE GOVERNANCE REPORT**

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# ANNUAL CORPORATE GOVERNANCE REPORT

## LISTED COMPANIES

## DETAILS OF ISSUER

**YEAR ENDED: 31/12/2012**

**TAX REGISTRATION NUMBER: A47412333**

**Name: EBRO FOODS, S.A.**

## ANNUAL CORPORATE GOVERNANCE REPORT LISTED COMPANIES

Read the instructions at the end of this report to correctly understand and complete the form.

### 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:

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 (%)
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES	0	15,880,688	10.321
CORPORACIÓN ECONÓMICA DAMM, S.A.	15,000,000	0	9.749
SOCIEDAD ANÓNIMA DAMM	0	15,000,000	9.749
ALBA PARTICIPACIONES, S.A.	12,625,080	0	8.205
CORPORACIÓN FINANCIERA ALBA, S.A.	0	12,625,080	8.205
HISPAFOODS INVEST S.L.	10,707,282	0	6.959

Name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	Interest / total voting rights (%)
UBS, AG	4,976,689	384,832	3.485

Name of indirect holder of the interest	Through: Name of direct holder of the interest	Number of direct voting rights	Interest / total voting rights (%)
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES	ALIMENTOS Y ACEITES, S.A.	15,880,688	10.321
SOCIEDAD ANÓNIMA DAMM	CORPORACIÓN ECONÓMICA DAMM, S.A.	15,000,000	9.749
CORPORACIÓN FINANCIERA ALBA, S.A.	ALBA PARTICIPACIONES, S.A.	12,625,080	8.205

Indicate the principal movements in the shareholding structure during the year:

Name of shareholder	Date of transaction	Description of the transaction
LOLLAND, S.A.	22/11/2012	Interest lowered to below 3% of the capital
CASA GRANDE DE CARTAGENA, S.L.	22/11/2012	Interest lowered to below 3% of the capital
UBS, AG	10/12/2012	Interest raised to over 3% of the capital

A.3. Complete the following tables on directors' voting rights corresponding to shares 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	0.000
DEMETRIO CARCELLER ARCE	0	39,898	0.026

Name of director	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights held
ALIMENTOS Y ACEITES, S.A.	15,880,688	0	10.321
EUGENIO RUIZ-GÁLVEZ PRIEGO	153	0	0.000
FERNANDO CASTELLÓ CLEMENTE	2,307,828	0	1.500
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	13,725,601	10,707,282	15.879
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	303,030	1,724,249	1.318
JOSÉ ANTONIO SEGURADO GARCÍA	1,010	0	0.001
JOSÉ NIETO DE LA CIERVA	8,969	2,044	0.007
MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ	10	0	0.000
SOL DAURELLA COMADRÁN	0	1,320,571	0.858

Name of indirect holder of the interest	Through: Name of direct holder of the interest	Number of direct voting rights	% of total voting rights
DEMETRIO CARCELLER ARCE	INVERSIONES LAS PARRAS DE CASTELLÓTE, S.L.	39,898	0.026
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	HISPAFOODS INVEST, S.L.	10,707,282	6.959
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	LA FUENTE SALADA, S.L.	1,320,209	0.858
SOL DAURELLA COMADRÁN	BEGINDAU, S.L.	1,267,289	0.824
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	MENDIBEA 2002, S.L.	404,040	0.263
SOL DAURELLA COMADRÁN	SURFUP SICAV, S.A.	52,878	0.034
JOSÉ NIETO DE LA CIERVA	M MACARENA AGUIRRE GALATAS	2,044	0.001
SOL DAURELLA COMADRÁN	JOSÉ ALBIOL DAURELLA	202	0.000
SOL DAURELLA COMADRÁN	SOL VILARRUBI DAURELLA	202	0.000

<b>Total % of voting rights held by board members</b>	<b>29.910</b>
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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:

**Type of relationship:**

Corporate

**Brief description:**

INSTITUTO HISPÁNICO DEL ARROZ, S.A. HOLDS 100% OF HISPAAFOODS INVEST, S.L.: DIRECT INTEREST OF 51.62% AND INDIRECT INTEREST OF 48.38%

Name of related parties
INSTITUTO HISPÁNICO DEL ARROZ, 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
CORPORACIÓN FINANCIERA ALBA, S.A.

**Type of relationship:**

Corporate

**Brief description:**

SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES HOLDS A DIRECT INTEREST OF 91.963% IN ALIMENTOS Y ACEITES, S.A.

Name of related parties
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES

**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
CORPORACIÓN ECONÓMICA DAMM, S.A.

A.5. Indicate 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 the Securities Market Act s. 112. If any, describe them briefly and list the shareholders bound by the agreement:

NO

Indicate and describe any concerted actions among company shareholders of which the company is aware:

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:

NO

A.8. Complete the following tables on the company's treasury stock:

At year-end:

Number of direct shares	Number of indirect shares (*)	Treasury stock/capital (%)
0	0	0

(\*) Through:

Total	0
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Give details on any significant variations during the year, according to the provisions of Royal Decree 1362/2007:

Date of communication	Total direct shares acquired	Total indirect shares acquired	% of capital
14/12/2012	1,218,627	0	0.789

Gain/(loss) obtained during the year on trading in own shares (thousand euro)	2,751
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#### 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 authorisation is 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 constraints stipulated in law or the company's articles on the exercise of voting rights and legal restrictions on the acquisition and disposal of shares in the capital. State whether there are any legal restrictions on the exercise of voting rights:

NO

<b>Maximum percentage of voting rights that one shareholder may exercise by legal restriction</b>	0
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State whether the articles of association establish any restrictions on the exercise of voting rights:

NO

<b>Maximum percentage of voting rights that one shareholder may exercise by restriction in the articles of association</b>	0
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State whether there are any legal restrictions on the acquisition or disposal of shares in the capital:

NO

A.11. Indicate whether the General Meeting has resolved to apply the breakthrough rule against a takeover bid, under Act 6/2007:

NO

If so, explain the measures approved and the terms on which the restrictions will become ineffective:

## B. MANAGEMENT STRUCTURE OF THE COMPANY

### B.1. Board of Directors

B.1.1. State the maximum and minimum numbers of directors stipulated in the articles of association:

Maximum number of directors	15
Minimum number of directors	7

B.1.2. Give details of the board members:

Name of director	Representative	Position on Board	Date first appointment	Date latest appointment	Election procedure
ANTONIO HERNÁNDEZ CALLEJAS	-	CHAIRMAN	21/01/2002	01/06/2010	VOTE AT AGM
DEMETRIO CARCELLER ARCE	--	VICE-CHAIRMAN	01/06/2010	01/06/2010	VOTE AT AGM
ALIMENTOS Y ACEITES, S.A.	CARLOS GASCÓ TRAVESEDO	DIRECTOR	23/07/2004	01/06/2010	VOTE AT AGM

Name of director	Representative	Position on Board	Date first appointment	Date latest appointment	Election procedure
EUGENIO RUIZ-GÁLVEZ PRIEGO	--	DIRECTOR	25/07/2000	01/06/2010	VOTE AT AGM
FERNANDO CASTELLÓ CLEMENTE	--	DIRECTOR	29/05/2012	29/05/2012	VOTE AT AGM
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	FÉLIX HERNÁNDEZ CALLEJAS	DIRECTOR	01/06/2010	01/06/2010	VOTE AT AGM
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	--	DIRECTOR	29/05/2012	29/05/2012	VOTE AT AGM
JOSÉ ANTONIO SEGURADO GARCÍA	--	DIRECTOR	29/05/2012	29/05/2012	VOTE AT AGM
JOSÉ NIETO DE LA CIERVA	--	DIRECTOR	29/09/2010	15/06/2011	VOTE AT AGM
MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ	--	DIRECTOR	23/02/2006	01/06/2010	VOTE AT AGM
RUDOLF-AUGUST OETKER	--	DIRECTOR	01/06/2010	01/06/2010	VOTE AT AGM
SOL DAURELLA COMADRÁN	--	DIRECTOR	01/06/2010	01/06/2010	VOTE AT AGM

<b>Total number of directors</b>	12
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Indicate any retirements from the board during the year:

Name of director	Type of director at time of retirement	Date of retirement
JOSE BARREIRO SEOANE	INDEPENDENT	29/05/2012
LEOPOLDO DEL PINO Y CALVO-SOTELO	PROPRIETARY	28/11/2012

B.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>	1
<b>% of board</b>	8.333

#### NON-EXECUTIVE PROPRIETARY DIRECTORS

Name of Director	Committee proposing appointment	Name of significant shareholder represented or that proposed appointment
DEMETRIO CARCELLER ARCE	NOMINATION AND REMUNERATION COMMITTEE	SOCIEDAD ANÓNIMA DAMM
ALIMENTOS Y ACEITES, S.A.	NOMINATION AND REMUNERATION COMMITTEE	SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES
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.
MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ	NOMINATION AND REMUNERATION COMMITTEE	INSTITUTO HISPÁNICO DEL ARROZ, S.A.
RUDOLF-AUGUST OETKER	NOMINATION AND REMUNERATION COMMITTEE	SOCIEDAD ANÓNIMA DAMM

<b>Total number of proprietary directors</b>	6
<b>% of board</b>	50.000

## NON-EXECUTIVE INDEPENDENT DIRECTORS

### Name of Director

FERNANDO CASTELLÓ CLEMENTE

### Profile

Born in Mollerusa (Lleida). Industrial Engineer and MBA (IESE). Lecturer in 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. Studied Law and Economics and is an 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 SyG and of the Advisory Council of Alkora, Honorary Chairman & Founder of CEIM and member of the Management Board and Executive Committee of CEOE. Grand Cross of the Order of 2 May awarded by the Community of Madrid.

### Name of Director

SOL DAURELLA COMADRÁN

### Profile

Born in Barcelona. BA in Business Studies and MBA (ESADE). Her professional career is closely linked with management of the family business of Coca Cola concessions on the Iberian peninsula and in Africa. Currently Vice-Chairman and CEO of Cobega, S.A. and Director of Casbega, S.A., Norbega, S.A., Refrige, S.A., Banco de Sabadell and Acciona, S.A.

<b>Total number of independent directors</b>	4
<b>% of board</b>	33.333

## 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>	8.333

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**

AZUCARERA EBRO, S.L.U.

**Profile**

Up to 30 April 2009, Eugenio Ruiz-Gálvez Priego was an 'Executive Director' because up to that date he was CEO of Azucarera Ebro, S.L.U., a company then wholly-owned by Ebro Foods, S.A. On 30 April 2009, Ebro Foods (then Ebro Puleva) sold all its shares in Azucarera, so Mr Ruiz Gálvez ceased to be an Executive Director and was classified as an "Other Non-Executive Director", since he cannot be considered independent.

Indicate any variations during the year in the type of each director:

B.1.4. 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.

NO

B.1.5. 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.

YES

**Name of Director**

JOSÉ BARREIRO SEOANE

**Reasons for retirement**

Professional reasons

**Name of Director**

LEOPOLDO DEL PINO Y CALVO-SOTELO

**Reasons for retirement**

The significant shareholder that proposed his appointment reduced its interest to less than 3%.

B.1.6. Indicate the powers delegated to the Managing Director(s), if any:

B.1.7. 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	A W MELLISH LIMITED	JOINT & SEVERAL DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	AMERICAN RICE, INC.	CHAIRMAN
ANTONIO HERNÁNDEZ CALLEJAS	ANGLO AUSTRALIAN RICE LIMITED	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	ARROZEIRAS MUNDIARROZ. S.A.	CHAIRMAN
ANTONIO HERNÁNDEZ CALLEJAS	BERTOLINI IMPORT UND EXPORT, GMBH	JOINT & SEVERAL DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	BIRKEL TEIGWAREN, GMBH	JOINT & SEVERAL DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	BLUE RIBBON MILLS, INC.	CHAIRMAN
ANTONIO HERNÁNDEZ CALLEJAS	BOOST NUTRITION, C.V.	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	BOSTO PANZANI BELGIUM	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	DANRICE, A/S	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	EBRO AMERICA, INC.	CHAIRMAN
ANTONIO HERNÁNDEZ CALLEJAS	FUNDACIÓN EBRO FOODS	TRUSTEE
ANTONIO HERNÁNDEZ CALLEJAS	HEAP COMET LIMITED	JOINT & SEVERAL DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	HERBA GERMANY, GMBH	JOINT & SEVERAL DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	JOSEPH HEAP & SONS LIMITED	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	JOSEPH HEAP PROPERTY LIMITED	JOINT & SEVERAL DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	NC BOOST, N.V.	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	NEW WORLD PASTA COMPANY	CHAIRMAN
ANTONIO HERNÁNDEZ CALLEJAS	PANZANI, S.A.S.	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	RIVIANA FOODS, INC.	CHAIRMAN

Name of director	Name of Group company	Position
ANTONIO HERNÁNDEZ CALLEJAS	SB HERBA FOODS LIMITED	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	SOS CUETARA USA, INC	CHAIRMAN
ANTONIO HERNÁNDEZ CALLEJAS	T.A.G. NAHRUNGSMITTEL, GMBH	JOINT & SEVERAL DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	VOGAN LIMITED	DIRECTOR
MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ	FUNDACIÓN EBRO FOODS	CHAIRMAN OF BOARD OF TRUSTEES

B.1.8. 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
ANTONIO HERNÁNDEZ CALLEJAS	DEOLEO, S.A.	DIRECTOR
DEMETRIO CARCELLER ARCE	GAS NATURAL SDG, S.A.	DIRECTOR
DEMETRIO CARCELLER ARCE	SOCIEDAD ANÓNIMA DAMM	CHAIRMAN
DEMETRIO CARCELLER ARCE	SACYR VALLEHERMOSO, S.A.	VICE-CHAIRMAN 1
EUGENIO RUIZ-GÁLVEZ PRIEGO	PROSEGUR, COMPAÑÍA DE SEGURIDAD, S.A.	DIRECTOR
EUGENIO RUIZ-GÁLVEZ PRIEGO	CORPORACIÓN FINANCIERA ALBA, S.A.	DIRECTOR
JOSÉ NIETO DE LA CIERVA	CORPORACIÓN FINANCIERA ALBA, S.A.	DIRECTOR
SOL DAURELLA COMADRÁN	ACCIONA, S.A.	DIRECTOR
SOL DAURELLA COMADRÁN	BANCO DE SABADELL, S.A.	DIRECTOR

B.1.9. Indicate and, where appropriate, explain whether the company has established rules on the number of directorships its directors may hold:

YES

Explain the rules
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.



B.1.10. In connection with recommendation number 8 of the Unified Code, indicate the company policies and general strategies that must be approved by the full Board:

<b>Investment and financing policy</b>	YES
<b>Definition of the structure of the group of companies</b>	YES
<b>Corporate governance policy</b>	YES
<b>Corporate social responsibility policy</b>	YES
<b>Strategic or business plan, annual management objectives and budget</b>	YES
<b>Pay policy and performance rating of senior executives</b>	YES
<b>Risk management and control policy and regular monitoring of internal reporting and control systems</b>	YES
<b>Dividend policy, treasury stock policy and, in particular, the limits established</b>	YES

B.1.11. Complete the following tables on the aggregate directors' emoluments accrued during the year:

a) In the reporting Company:

<b>Emoluments</b>	<b>Thousand euro</b>
Non-variable remuneration	682
Variable remuneration	955
Attendance fees	306
Emoluments stipulated in articles of association	2,565
Stock options and/or options over other financial instruments	0
Others	0

<b>Total</b>	<b>4,508</b>
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<b>Other Benefits</b>	<b>Thousand euro</b>
Advances	0
Loans granted	0
Pension Funds and Schemes: Contributions	0

Pension Funds and Schemes: Obligations contracted	0
Life assurance premiums	0
Guarantees furnished by the company for directors	0

b) For company directors who are on other boards and/or in the top management of group companies:

<b>Emoluments</b>	<b>Thousand euro</b>
Non-variable remuneration	0
Variable remuneration	0
Attendance fees	48
Emoluments stipulated in articles of association	0
Stock options and/or options over other financial instruments	0
Others	0

<b>Total</b>	<b>51</b>
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<b>Other Benefits</b>	<b>Thousand euro</b>
Advances	0
Loans granted	0
Pension Funds and Schemes: Contributions	0
Pension Funds and Schemes: Obligations contracted	0
Life assurance premiums	0
Guarantees furnished by the company for directors	0

c) Total emoluments by type of director:

Types of Directors	Company	Group companies
Executive	1,637	0
Non-executive proprietary	1,832	48
Non-executive independent	872	0
Other non-executive	167	0
<b>Total</b>	<b>4,508</b>	<b>48</b>

d) Directors' share in the profit of the parent company:

<b>Total directors' emoluments (thousand euro)</b>	4,556
<b>Total directors' emoluments / profit attributed to parent company (%)</b>	2.9

B.1.12. Name the members of top management who are not executive directors and indicate the aggregate remuneration accrued in their favour during the year:

Name	Position
ANA MARÍA ANTEQUERA PARDO	MANAGER COMMUNICATIONS
LEONARDO ÁLVAREZ ARIAS	MANAGER I.T.
PABLO ALBENDEA SOLÍS	MANAGER COORDINATION
ALFONSO FUERTES BARRÓ	MANAGER ECONOMY
GABRIEL SOLÍS PABLOS	TAX MANAGER
MIGUEL ANGEL PÉREZ ÁLVAREZ	SECRETARY
YOLANDA DE LA MORENA CEREZO	VICE-SECRETARY
GLORIA RODRÍGUEZ PATA	MANAGER CORPORATE ASSETS
JESÚS DE ZABALA BAZÁN	MANAGER INTERNAL AUDIT
MANUEL GONZÁLEZ DE LUNA	MANAGER INVESTOR RELATIONS
<b>Total remuneration top management (thousand euro)</b>	<b>4,500</b>

B.1.13. Indicate globally whether any golden handshake clauses have been established for the top management, including Executive Directors, of the company or its group in the event of dismissal or change of ownership. State whether these contracts have to be notified to and/or approved by the governing bodies of the company/group companies:

<b>Number of beneficiaries</b>	2
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	<b>Board of Directors</b>	<b>General Meeting</b>
<b>Body authorising the clauses</b>	YES	NO

<b>Is the General Meeting informed on the clauses?</b>	YES
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B.1.14. Explain the process for establishing the remuneration of the Board members and the relevant articles of the articles of association

<b>Process for establishing directors' emoluments and the relevant articles of the articles of association</b>
<p>The remuneration of Board members is regulated in Article 22 of the company's Articles of Association which establishes the following process:</p> <p>When approving the company's accounts for the previous year, the general meeting shall set aside for the directors a share of 2.5% (two and a half per cent) 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.</p> <p>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.</p> <p>The directors shall also be entitled to a fee for attending meetings of the corporate bodies, the amount of which shall be established every year by the general meeting.</p> <p>Regardless of the nature of their legal relationship with the company, directors with executive duties will be entitled to remuneration for the performance of such duties, the amount of which shall be decided each year at the Annual General Meeting. This remuneration may contemplate welfare payments to cover any public/private pension schemes and insurance considered necessary or for retirement from office.</p> <p>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.</p> <p>If executive directors waive their share in the profits, as contemplated in the first paragraph of this Article 22 of the company's Articles of Association, the sums that would correspond to them as a share in the profits of the company will not be distributed among the remaining directors.</p> <p>On 28 February 2013, as proposed by the Nomination and Remuneration Committee, the Board resolved to freeze the statutory share in the 2012 profits at the amount agreed for 2011 and 2010, so a proposal will be put to the AGM to pay a sum of 2,565,454 euro and apply to such remuneration a percentage of 1.62% of the consolidated net profit attributed to the company in 2012.</p>

**Process for establishing directors' emoluments and the relevant articles of the articles of association**

As regards the distribution of the share in profits among the different members of the Board according to the duties assumed by each of the directors on the board and its different committees, the scale applicable for 2012, after the latest review by the Board upon recommendation by the Nomination and Remuneration Committee, is as follows:

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

Finally, attendance fees for board meetings were maintained at 1,600 euro and the attendance fees for the different committees at 800 euro.

State whether the following decisions are reserved for approval by the full Board:

<b>At the proposal of the CEO, the appointment and possible removal of senior officers and their compensation clauses</b>	YES
<b>Directors' emoluments and, for executive directors, the additional remuneration for their executives duties and other conditions to be respected in their contracts</b>	YES

B.1.15. Indicate whether the Board approves a detailed remuneration policy and what issues it defines:

YES

<b>Amount of fixed components, with breakdown, if appropriate, of attendance fees for board and committee meetings and an estimate of the resulting annual fixed remuneration</b>	YES
<b>Variable remuneration items</b>	YES
<b>Main features of the welfare schemes, estimating the amount or equivalent annual cost</b>	YES
<b>Conditions to be respected in the contracts of those exercising top management duties as executive directors</b>	YES

B.1.16. State whether the Board puts a report on the directors' remuneration policy to an advisory vote at the General Meeting, as a separate item on the agenda. If so, explain the aspects of the report on the remuneration policy approved by the Board for future years, the most significant changes of those policies in respect of the policy applied during this period and an overall summary of how the remuneration policy was applied during the year. Describe the role of the Remuneration Committee and, if outside counselling has been used, name the external advisers who provided it:

YES

<b>Issues contemplated in the remuneration policy</b>
<p>1. Background</p> <p>2. Internal regulations applicable</p> <p>3. Remuneration policy for 2012</p> <p>3.1 Share stipulated in articles of association</p> <p>3.2 Attendance fees for meetings of corporate bodies</p> <p>3.3 Executive directors</p> <p>3.4 Supplementary life or retirement insurance</p> <p>3.5 Summary chart</p> <p>3.6 Details of individual remuneration earned by each of the directors (thousand euro)</p> <p>4. Remuneration policy for future years</p> <p>5. Other information</p>

<b>Role of the Remuneration Committee</b>
Examined and issued a favourable report on the Report on the Directors' Remuneration Policy for 2012, to be submitted to the Board.

<b>Was any external counselling used?</b>	YES
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<b>Identity of the external advisers</b>
Garrigues Human Capital Services

B.1.17. Name any Board members who are also directors, executives or employees of companies holding significant interests in the listed company and/or companies in its group:

Name of director	Name of significant shareholder	Position
DEMETRIO CARCELLER ARCE	SOCIEDAD ANÓNIMA DAMM	CHAIRMAN
DEMETRIO CARCELLER ARCE	CORPORACIÓN ECONÓMICA DAMM, S.A.	CHAIRMAN
EUGENIO RUIZ-GÁLVEZ PRIEGO	CORPORACIÓN FINANCIERA ALBA, S.A.	DIRECTOR
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	HISPAFOODS INVEST, S.L.	DIRECTOR
JOSÉ NIETO DE LA CIERVA	CORPORACIÓN FINANCIERA ALBA, S.A.	DIRECTOR
RUDOLF-AUGUST OETKER	SOCIEDAD ANÓNIMA DAMM	DIRECTOR

Describe any significant relationships other than those contemplated in the previous section between board members and significant shareholders and/or companies in their group:

**Name of director**

ANTONIO HERNÁNDEZ CALLEJAS

**Name of significant shareholder**

HISPAFOODS INVEST S.L.

**Description of relationship**

ANTONIO HERNÁNDEZ CALLEJAS HAS AN INDIRECT HOLDING OF 16.666% IN HISPAFOODS INVEST S.L.

**Name of director**

ANTONIO HERNÁNDEZ CALLEJAS

**Name of significant shareholder**

INSTITUTO HISPÁNICO DEL ARROZ, S.A.

**Description of relationship**

ANTONIO HERNÁNDEZ CALLEJAS HAS A DIRECT HOLDING OF 16.666% IN INSTITUTO HISPÁNICO DEL ARROZ, S.A.

**Name of director**

DEMETRIO CARCELLER ARCE

**Name of significant shareholder**

SOCIEDAD ANÓNIMA DAMM

**Description of relationship**

DEMETRIO CARCELLER ARCE HAS AN INDIRECT HOLDING OF 0.684% 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 91.963% IN ALIMENTOS Y ACEITES, S.A.

**Name of director**

INSTITUTO HISPÁNICO DEL ARROZ, S.A.

**Name of significant shareholder**

HISPAFOODS INVEST S.L.

**Description of relationship**

INSTITUTO HISPÁNICO DEL ARROZ, S.A. HAS A TOTAL INTEREST OF 100% IN HISPAFOODS INVEST S.L.: 51.62% DIRECT AND 48.38% INDIRECT

**Name of director**

LEOPOLDO DEL PINO Y CALVO-SOTELO

**Name of significant shareholder**

CASA GRANDE DE CARTAGENA, S.L.

**Description of relationship**

LEOPOLDO DEL PINO Y CALVO-SOTELO HAS AN INDIRECT HOLDING OF 17.096% IN CASA GRANDE DE CARTAGENA, S.L.

**Name of director**

MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ

**Name of significant shareholder**

HISPAFOODS INVEST S.L.

**Description of relationship**

MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ HAS AN INDIRECT HOLDING OF 16.666% IN HISPAFOODS INVEST S.L.

**Name of director**

MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ

**Name of significant shareholder**

INSTITUTO HISPÁNICO DEL ARROZ, S.A.

**Description of relationship**

MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ HAS A DIRECT HOLDING OF 16.666% IN INSTITUTO HISPÁNICO DEL ARROZ, S.A.

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

YES

<b>Description of modifications</b>
<p>On 28 March 2012 the Board of Directors unanimously resolved to modify the Regulations of the Board, which had been in force since 2006, to adapt the contents to the new Articles of Association which, above all in view of the latest changes in the Corporate Enterprises Act, were to be laid before the following Annual General Meeting on 29 May 2012, at which they were approved.</p> <p>The modifications made to the Regulations of the Board were as follows:</p> <ul style="list-style-type: none"> <li>- Article 9 ("Board Meetings") was modified to adapt it to section 246 of the Corporate Enterprises Act.</li> <li>- Article 13 ("Audit and Compliance Committee") was modified to adapt it to Supplementary Provision 18 of the Securities Market Act and the regulation of the Financial Reporting Internal Control System. Point 5 of this article was also modified to adapt it to the Good Corporate Governance Recommendations.</li> <li>- Article 14 ("Nomination and Remuneration Committee") was adapted to adjust it to section 61 ter of the Securities Market Act and the Good Corporate Governance Recommendations.</li> <li>- Article 16 ("Management Committee") was altered to adapt it to current regulation of the Financial Reporting Internal Control System.</li> <li>- Article 33 ("Chairman of the Board") was modified to adapt it to the Good Corporate Governance Recommendations.</li> <li>- The duties of the Secretary of the Board were modified and set out in Article 35. This modification was made owing to the need to restructure the duties of the Secretary of the Board following the elimination from the Regulations of any mention of the Company Secretary.</li> <li>- Other alterations resolved included: (i) updating of the name to Ebro Foods, S.A. and the consequent elimination of the previous name Ebro Puleva, which still appeared in some articles of the Regulations; (ii) elimination of the positions of General Manager, Company Secretary and Legal Adviser; and (iii) other minor changes designed to homogenise the articles of the Regulations overall.</li> </ul>

**B.1.19. Describe the procedures for 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 and 20 of the Articles of Association, and Articles 5, 21, 23 and 24 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, upon recommendation by the Chairman and 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 standing, 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 B.2.3 of this Report.

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.

#### B.1.20. Indicate the events in which directors are obliged to retire.

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 interest.

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.

#### B.1.21. 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

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.
In accordance with this provision, the current Vice-Chairman of the Board, Demetrio Carceller Arce (non-executive proprietary director), performs the aforesaid 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

Explanation of the rules
<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>

B.1.22. Are special majorities differing from those stipulated in law required for any type of decision?

NO

Explain how resolutions are adopted on the Board, indicating at least the quorum and the majorities required for adopting resolutions:

**Description of the resolution:**

Ordinary resolutions.

Quorum	%
Quorum for attendance: one-half plus one of the Board members	51.00

  

Majority	%
These resolutions are adopted by absolute majority of the directors present or represented at each meeting.	51.00

**Description of the resolution:**

Resolutions delegating powers to the Executive Committee and Managing Director, or CEO, and appointing directors to those positions.

<b>Quorum</b>	%
Quorum for attendance: two-thirds of the Board members	66.66

<b>Majority</b>	%
These resolutions are adopted by a majority of two-thirds of the Board members	66.66

B.1.23. Are there any specific requirements, other than those established for directors, to be appointed Chairman?

NO

B.1.24. Does the Chairman have a casting vote?

YES

<b>Matters on which there is a casting vote</b>
All.

B.1.25. Do the Articles of Association or Regulations of the Board establish an age limit for directors?

NO

<b>Age limit Chairman</b>	<b>Age limit Managing Director</b>	<b>Age limit Director</b>
0	0	0

B.1.26. Do the Articles of Association or Regulations of the Board establish a limited term of office for independent directors?

NO

<b>Maximum number of years in office</b>	0
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B.1.27. If the number of female directors is small or non-existent, explain why and the initiative taken to remedy that situation.

<b>Explanation of reasons and initiatives</b>
Board members are appointed regardless of gender so there is no positive or negative discrimination of any nature in the election of directors.
María Blanca Hernández Rodríguez was appointed director in 2006 and Sol Daurella Comadrán was appointed director in 2010.

In particular, indicate whether the Nomination and Remuneration Committee has established procedures to ensure that the selection procedures are not implicitly biased against the selection of female directors and deliberately search for candidates with the required profile:

NO

B.1.28. Are there any formal procedures for the delegation of votes at Board meetings? If so, 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 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.

B.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:

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

Number of meetings held by the different Committees of the Board:

<b>Number of meetings of the Executive Committee</b>	7
<b>Number of meetings of the Audit Committee</b>	8
<b>Number of meetings of the Nomination and Remuneration Committee</b>	6
<b>Number of meetings of the Nomination Committee</b>	0
<b>Number of meetings of the Remuneration Committee</b>	0

B.1.30. Number of meetings held by the Board during the period without the attendance of all its members. Proxies made without specific instructions will be considered absences:

Number of absences of directors during the year	0
% absences to total votes during the year	0.000

B.1.31. Are the separate and consolidated annual accounts submitted to the Board for approval previously certified?

NO

If so, name the person(s) who certify the separate or consolidated annual accounts of the company before they are approved by the Board:

B.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, which stipulates in section 2 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 B.2.3).

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

NO

B.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
<p>The Secretary of the Board may or may not be a director, 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.</p> <p>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.</p>

Does the Nomination Committee issue a report on the appointment?	YES
Does the Nomination Committee issue a report on the removal?	YES
Does the full Board approve the appointment?	YES
Does the full Board approve the removal?	YES

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

YES

Comments
<p>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:</p> <p>a) Ensure that the Board's actions:</p> <ul style="list-style-type: none"> <li>- Conform to the text and spirit of the laws and statutory instruments, including those approved by the watchdogs.</li> <li>- Conform to the company Articles of Association and the Regulations of the General Meeting, the Board and any other regulations the company may have.</li> <li>- Take account of the recommendations on good governance accepted by the company.</li> </ul> <p>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.</p> <p>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.</p> <p>d) Implement and facilitate exercise by the Directors of their right to information on the terms stipulated in these Regulations.</p>

**B.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.

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

NO

Outgoing auditor	Incoming auditor

Explain any disagreements with the outgoing auditor:

NONE

B.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

	Company	Group	Total
Cost of work other than auditing (thousand euro)	48	207	255
Cost of work other than auditing / Total amount invoiced by the auditors (%)	17.910	14.340	14.900

B.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.

NO

B.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
Number of years in succession	4	4

	Company	Group
Number of years audited by current auditors / Number of years that the company has been audited (%)	18.2	18.2

B.1.40. Indicate the stakes held by Board members in the capital of undertakings engaged in activities identical, similar or complementary to those comprising the objects of the Company and its Group, as far as the company has been notified. Indicate also the positions held or duties performed in those undertakings:

Name of director	Name of company	% interest	Position or duties
ANTONIO HERNÁNDEZ CALLEJAS	DEOLEO, S.A.	0.001	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	INSTITUTO HISPANICO DEL ARROZ, S.A.	16.666	NO POSITION HELD
ALIMENTOS Y ACEITES, S.A.	BIOSEARCH, S.A.	1.738	NO POSITION HELD
INSTITUTO HISPANICO DEL ARROZ, S.A.	PESQUERÍAS ISLA MAYOR, S.A.	100.000	DIRECTOR
INSTITUTO HISPANICO DEL ARROZ, S.A.	ISLASUR, S.A.	100.000	DIRECTOR
INSTITUTO HISPANICO DEL ARROZ, S.A.	MUNDIARROZ, S.A.	100.000	DIRECTOR
INSTITUTO HISPANICO DEL ARROZ, S.A.	AUSTRALIAN COMMODITIES, S.A.	100.000	DIRECTOR
INSTITUTO HISPANICO DEL ARROZ, S.A.	DEHESA NORTE, S.A.	100.000	DIRECTOR
INSTITUTO HISPANICO DEL ARROZ, S.A.	EL COBUJÓN, S.A.	100.000	DIRECTOR
MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ	INSTITUTO HISPÁNICO DEL ARROZ, S.A.	16.666	NO POSITION HELD
RUDOLF-AUGUST OETKER	DR. AUGUST OETKER KG	12.500	CHAIRMAN

B.1.41. Indicate, giving details if appropriate, whether a procedure has been established for directors to receive external counselling:

YES

Details of procedure
<p>The directors' right to counselling and information is regulated in Article 30 of the Regulations of the Board, which provides in 30.2 that:</p> <p>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</p>



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.

B.1.42. 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

Details of procedure
<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>

B.1.43. 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

Explanation
<p>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.</p>

B.1.44. 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. 124 of the Corporations Act?

NO

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.

NO

Decision adopted	Reasoned explanation

## B.2. Committees of the Board

B.2.1. Give details of the different committees and their members:

### EXECUTIVE COMMITTEE

Name	Position	Type
ANTONIO HERNÁNDEZ CALLEJAS	CHAIRMAN	EXECUTIVE
DEMETRIO CARCELLER ARCE	MEMBER	PROPRIETARY
JOSÉ ANTONIO SEGURADO GARCÍA	MEMBER	INDEPENDENT
JOSÉ NIETO DE LA CIERVA	MEMBER	PROPRIETARY

### AUDIT COMMITTEE

Name	Position	Type
SOL DAURELLA COMADRÁN	CHAIRMAN	INDEPENDENT
EUGENIO RUIZ-GÁLVEZ PRIEGO	MEMBER	OTHER NON-EXECUTIVE
FERNANDO CASTELLÓ CLEMENTE	MEMBER	INDEPENDENT
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	MEMBER	INDEPENDENT
MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ	MEMBER	PROPRIETARY

**NOMINATION AND REMUNERATION COMMITTEE**

Name	Position	Type
FERNANDO CASTELLÓ CLEMENTE	CHAIRMAN	INDEPENDENT
DEMETRIO CARCELLER ARCE	MEMBER	PROPRIETARY
JOSÉ ANTONIO SEGURADO GARCÍA	MEMBER	INDEPENDENT
MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ	MEMBER	PROPRIETARY
SOL DAURELLA COMADRÁN	MEMBER	INDEPENDENT

**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

## B.2.2. State whether the Audit Committee has the following duties:

Oversee 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 consolidated group and correct application of accounting principles	YES
Regularly check the internal control and risk management systems, ensuring that the principal risks are adequately identified, managed and reported	YES
Ensure the independence and efficacy of the internal audit duties; 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	YES
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	YES
Submit to the Board proposals for nomination, appointment, re-appointment and replacement of external auditor, and terms of engagement	YES
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	YES
Guarantee the independence of the external auditor	YES
In the case of groups, encourage auditing of the different group companies by the group auditor	YES

### B.2.3. Describe the rules of organisation and procedure and the responsibilities attributed to each Committee

#### **Name of committee**

STRATEGY AND INVESTMENT COMMITTEE

#### **Brief description**

The Strategy and Investment Committee has a minimum of three and a maximum of five Directors, including a Chairman, appointed by the Board of Directors in accordance with the company's Articles of Association. The Secretary of the Board is Secretary of this Commission, with voice but no vote, issuing minutes of the resolutions adopted. In the absence or temporary unavailability of the Chairman, he is provisionally substituted by a Committee member nominated by the Committee, or otherwise by the oldest Committee member.

The Committee meets whenever called by its Chairman or at the request of two of its members and whenever the Board requests the issuance of reports, submission of proposals or adoption of resolutions within the scope of its duties. Notices of call are issued by the Secretary following instructions of the Chairman. Whenever the Committee so requests its Chairman, its meetings may be attended by any member of the management team of the Company, who may speak but not vote. At the following Board meeting, the Chairman of the Strategy and Investment Committee reports on all resolutions, reports or proposals made by the Committee since the previous Board meeting. Directors have access to the minutes of Committee meetings, through the Secretary of the Board. The Strategy and Investment Committee studies, issues reports, reviews and submits proposals for the Board on the following matters: a) setting of targets for growth, yield and market share of the company; b) development plans, new investments and strategic restructuring processes; and c) coordination with subsidiaries in the matters contemplated in a) and b), for the common interest 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.

#### **Name of committee**

NOMINATION AND REMUNERATION COMMITTEE

#### **Brief description**

The Nomination and Remuneration Committee has a minimum of three and a maximum of five non-executive Directors, appointed by the Board of Directors in accordance with the company articles of association. The Chairman is appointed by the Company from among its independent members and the Secretary of the Board is Secretary of this Commission, with voice but no vote, issuing minutes of the resolutions adopted.

In the absence or temporary unavailability of the Chairman, he is provisionally substituted by the member of the Committee appointed for this purpose by the Committee, or otherwise the oldest member of the Committee.

The Committee meets whenever called by its Chairman or at the request of two of its members and at least once every three months. It also meets whenever the Board requests the issuance of reports, submission of proposals or adoption of resolutions within the scope of its duties. Meetings are called by the Secretary of the Committee by order of the Chairman. 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. At the following Board meeting, the Chairman of the Nomination and Remuneration Committee reports on all resolutions, reports or proposals made by the Committee since the previous Board meeting. Directors have access to the minutes of Committee meetings, through the Secretary of the Board.

The Committee studies, issues reports and submits proposals for the Board on the following matters: a) definition and revision, where necessary, of the criteria to be followed for the composition and structure of the Board and for selection of candidates to sit on the Board, informing always prior to the appointment of a director by cooptation or the submission of any proposals to the general meeting regarding the appointment or removal of directors; b) appointment of the Chairman, Vice-Chairman, Managing Director(s) and Secretary of the Board, and assignment of the directors to the Executive Committee, the Audit and Compliance Committee and the Strategy and Investment Committee, and appointment of the members of the Management Committee and such other advisory committees as 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; and h) preparation and proposal of the Annual Report on Directors' Remuneration in accordance with the laws and regulations in place from time to time.

**Name of committee**

EXECUTIVE COMMITTEE

**Brief description**

In addition to the Chairman and the Vice-Chairman of the Board, other Directors shall sit on the Executive Committee, up to a maximum of seven members, with the composition stipulated in the Articles of Association. All the members of this Committee shall be appointed by the Board, which shall also specify what powers are delegated to it, in accordance with the Articles of Association and these Regulations, requiring votes in favour of at least two-thirds of the Board members to carry the relevant resolutions. Save otherwise resolved by the Board, all the powers of the Board that may be delegated according to law, the Articles of Association and these Regulations shall be deemed delegated to this Committee on its creation, subject to the constraints established in the good corporate governance recommendations in place from time to time. The Chairman and Secretary of the Board shall be Chairman and Secretary also of the Executive Committee. The Executive Committee shall generally hold one meeting a month. Its meetings may be attended by such members of the management, employees and advisers of the company as the Committee may deem fit. Without prejudice to the autonomy of decision of the Executive Committee in respect of the delegated powers, its resolutions being fully valid and effective without ratification by the Board, whenever circumstances so require, in the opinion of the Chairman or three members of the Committee, the resolutions adopted by the Executive Committee shall be submitted to the Board for ratification. This shall also be the case in matters which the Board has delegated the Committee to study, while reserving for itself the ultimate decision, in which case the Executive Committee shall merely submit the corresponding proposal to the Board. At the request of any Board members, the Directors shall be informed of all resolutions adopted by the Executive Committee since the previous Board meeting, and Directors shall have access to the minutes of Executive Committee meetings. The Executive Committee shall have the following powers: 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: (i) separate and consolidated annual budget of the company, itemising the provisions corresponding to each line of business; (ii) monthly monitoring of the financial management, deviations from the budget and proposed remedial measures, if necessary; (iii) significant financial investments and investments in property, plant and equipment and the corresponding economic justification; (iv) alliances and agreements with other companies which, by virtue of their amount or nature, are important for the company; (v) financial transactions of a material economic significance for the company; (vi) assessment of the achievement of objectives by the different operating units of the company; (vii) 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.

**Name of committee**

AUDIT COMMITTEE

**Brief description**

The Audit and Compliance Committee has a minimum of three and a maximum of five non-executive Directors appointed by the Board in accordance with the Articles of Association. The Board appoints one of the independent directors on the Committee to be Chairman, who must be replaced every four years, becoming eligible for re-election one year after his retirement as such. The Chairman of the Board may attend and participate in the meetings of this Committee, although he may not vote. In the absence of the Chairman, he is provisionally substituted by a Committee member nominated by the Committee, or otherwise by the oldest Committee member. The Secretary of the Board is Secretary of this Committee, with voice but no vote, issuing minutes of the resolutions adopted. The Audit and Compliance Committee meets as and when called by its Chairman, or at the request of two of its members and at least once every three months. It also meets whenever the Board requests the issuance of reports, submission of proposals or adoption of resolutions within the scope of its duties. Meetings are 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 are held at the registered office of the company, or wherever 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 are 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, has the casting vote. At the following Board meeting, the Chairman of the Audit and Compliance Committee reports on all resolutions, reports or proposals made by the Committee since the previous Board meeting. Directors have access to the minutes of Committee meetings, through the Secretary of the Board. The Audit and Compliance Committee has 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: (i) the types of risk (operating, technological, financial, legal and reputational) to which the company is exposed; (ii) the risk level that the company considers acceptable; (iii) the measures for mitigating the impact of identified risks, should they actually occur; (iv) 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; and i) supervise compliance with the internal codes of conduct and rules of corporate governance and, 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.

**Name of committee**

MANAGEMENT COMMITTEE

**Brief description**

The Board of Directors appoints a Management Committee consisting of the persons responsible for the principal management units and business areas of the Company and its subsidiaries and the executive directors proposed by the Nomination and Remuneration Committee, and presided by the Chairman of the Board or the Managing Director(s), if any. The Secretary of the Board is Secretary of this Committee. The Management Committee prepares and follows up decisions in the management of the Company, regarding strategy, budget, finance and personnel, and draws up business plans and oversees their implementation, defining the Company's position in respect of its subsidiaries on these matters. It also designs and implements an adequate, effective financial reporting internal control system, which will be submitted to the Board for approval, subject to a favourable report by the Audit and Compliance Committee. The Committee meets whenever called by its Chairman and in any case whenever the Board or Committees request the issuance of reports, submission of proposals or adoption of resolutions within the scope of their duties. Meetings are called by the Secretary following instructions from the Chairman.

B.2.4. Indicate, where appropriate, the advisory or counselling powers and delegations, if any, of each committee:

**Name of committee**

STRATEGY AND INVESTMENT COMMITTEE

**Brief description**

THOSE CONTEMPLATED IN ARTICLE 15 OF THE REGULATIONS OF THE BOARD. SEE SECTION B.2.3 OF THIS REPORT.

**Name of committee**

NOMINATION AND REMUNERATION COMMITTEE

**Brief description**

THOSE CONTEMPLATED IN ARTICLE 14 OF THE REGULATIONS OF THE BOARD. SEE SECTION B.2.3 OF THIS REPORT.

**Name of committee**

EXECUTIVE COMMITTEE

**Brief description**

THOSE CONTEMPLATED IN ARTICLE 12 OF THE REGULATIONS OF THE BOARD. SEE SECTION B.2.3 OF THIS REPORT.

**Name of committee**

AUDIT COMMITTEE

**Brief description**

THOSE CONTEMPLATED IN ARTICLE 13 OF THE REGULATIONS OF THE BOARD. SEE SECTION B.2.3 OF THIS REPORT.

B.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.

**Name of committee**

STRATEGY AND INVESTMENT COMMITTEE

**Brief description**

There is no separate text regulating the Strategy and Investment Committee, which is sufficiently regulated in the Regulations of the Board of Directors (Article 15).

The Regulations of the Board are available for consultation on the company's website ([www.ebrofoods.es](http://www.ebrofoods.es)) and on the website of the National Securities Market Commission ([www.cnmv.es](http://www.cnmv.es)).

**Name of committee**

NOMINATION AND REMUNERATION COMMITTEE

**Brief description**

There is no separate text regulating the Nomination and Remuneration Committee, which is sufficiently regulated in the Regulations of the Board of Directors (Article 14).

**Name of committee**

EXECUTIVE COMMITTEE

**Brief description**

There is no separate text regulating the Executive Committee, which is sufficiently regulated in the Regulations of the Board of Directors (Article 12).

**Name of committee**

AUDIT COMMITTEE

**Brief description**

There is no separate text regulating the Audit Committee, which is sufficiently regulated in the Regulations of the Board of Directors (Article 13).

**Name of committee**

MANAGEMENT COMMITTEE

**Brief description**

There is no separate text regulating the Management Committee, which is sufficiently regulated in the Regulations of the Board of Directors (Article 16).

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

YES

## C. RELATED-PARTY TRANSACTIONS

C.1. Does the full Board reserve the right to approve, subject to a favourable report by the Audit and Compliance Committee or such other committee it may have commissioned, any transactions between the company and its directors, significant or represented shareholders or parties related thereto?

YES

C.2. List any significant transactions involving a transfer of resources or obligations 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)	4,896

C.3. List any significant transactions involving a transfer of resources or obligations 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	Nature of the transaction	Type of transaction	Amount (thousand euro)
ANTONIO HERNÁNDEZ CALLEJAS	HERBA RICEMILLS, S.L.U.	CONTRACTUAL	Leases	36
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	BOOST NUTRITION, C.V.	CONTRACTUAL	Sale of goods (finished or otherwise)	945
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	BOOST NUTRITION, C.V.	CONTRACTUAL	Purchase of goods (finished or otherwise)	1,052
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	EURIZA GMBH	CONTRACTUAL	Sale of goods (finished or otherwise)	75
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	EURIZA GMBH	CONTRACTUAL	Purchase of goods (finished or otherwise)	75



Name of director or executive	Name of company or group company	Nature of the transaction	Type of transaction	Amount (thousand euro)
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	HERBA FOODS, S.L.U.	CONTRACTUAL	Receipt of services	123
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	HERBA RICEMILLS, S.L.U.	CONTRACTUAL	Sale of goods (finished or otherwise)	2,220
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	HERBA RICEMILLS, S.L.U.	CONTRACTUAL	Sale of goods (finished or otherwise)	2,608
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	HERBA RICEMILLS, S.L.U.	CONTRACTUAL	Leases	49
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	HERBA RICEMILLS, S.L.U.	CONTRACTUAL	Purchase of goods (finished or otherwise)	7,966
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	HERBA RICEMILLS, S.L.U.	CONTRACTUAL	Rendering of services	1
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	SB HERBA FOODS LIMITED	CONTRACTUAL	Purchase of goods (finished or otherwise)	1,552
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	SB HERBA FOODS LIMITED	CONTRACTUAL	Sale of goods (finished or otherwise)	25
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	TBA SUNTRA UK, LTD	CONTRACTUAL	Sale of goods (finished or otherwise)	3
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	TBA SUNTRA, BV	CONTRACTUAL	Purchase of goods (finished or otherwise)	25
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	TBA SUNTRA, BV	CONTRACTUAL	Purchase of goods (finished or otherwise)	323

C.4. List 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:

C.5. State whether any of the board members have entered into any conflicts of interest pursuant to s. 127 ter of the Corporations Act during the period.

YES

**Name of director**

ALIMENTOS Y ACEITES, S.A.

**Description of the conflict of interest**

Indirect interest of 1.738% in Biosearch, S.A., a company engaged in a business similar to the objects of Ebro Foods, S.A.

**Name of director**

ANTONIO HERNÁNDEZ CALLEJAS

**Description of the conflict of interest**

Interest of 0.001% and proprietary director in Deoleo, S.A., a listed company in which Ebro Foods, S.A. holds 9.333% of the capital, engaged in a business similar to the objects of Ebro.

Direct interest of 16.666% in Instituto Hispánico del Arroz, S.A., which is director and majority shareholder of Ebro Foods, with a holding of 15.879%, and is also engaged in a business similar to the objects of Ebro.

Finally, see section C.3 of this report concerning the related-party transaction made with a company in the Ebro Foods Group.

**Name of director**

INSTITUTO HISPÁNICO DEL ARROZ, S.A.

**Description of the conflict of interest**

Instituto Hispánico del Arroz, S.A. is engaged in a business similar to the objects of Ebro Foods, S.A. It has a holding of 15.879% in Ebro Foods S.A. (8.921% direct and 6.959% indirect, through Hispafoods Invest, S.L., which is wholly-owned by Instituto Hispánico del Arroz, S.A.).

It also wholly-owns and is director of the companies indicated in section B.1.40, all of which are engaged in a business similar to the objects of Ebro Foods.

Finally, see section C.3 of this report concerning the related party transactions made with companies in the Ebro Foods Group.

**Name of director**

MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ

**Description of the conflict of interest**

Direct interest of 16.666% in Instituto Hispánico del Arroz, S.A. which, as mentioned above, apart from being director and majority shareholder of Ebro Foods, with a holding of 15.879%, is also engaged in a business similar to the objects of Ebro.

**Name of director**

RUDOLF-AUGUST OETKER

**Description of the conflict of interest**

Interest of 12.5% in Dr. August Oetker KG, a company domiciled in Germany engaged in similar activities to Ebro Foods. He is Chairman of that company and on the board of other companies in the Oetker Group.

### C.6. Explain 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.

#### C.7. Is more than one company of the Group listed in Spain?

NO

Name the listed subsidiaries:

## D. RISK CONTROL SYSTEMS

### D.1. General description of the risk policy of the company and/or its group, including details and assessment of the risks covered by the system, together with proof that those systems adapt to the profile of each type of risk.

Article 9.1 of the Regulations of the Board establish 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. And 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:

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

In particular, the Audit and Compliance 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.

Guided by the conceptual framework of the "Committee of Sponsoring Organizations of the Treadway Commission" (COSO) report on internal control, the Ebro Foods Group has established systems for risk identification, assessment, management and reporting.

During 2011, a Group-wide risk map was drawn up using appropriate software. The map establishes a matrix of risks for the entire group and for each individual company, establishing the probabilities of occurrence, impact and protocols for action to mitigate those risks.

The ultimate purpose of these risk control systems is to defend the interests of our shareholders, customers, employees and social environment. At the same time, they provide a sustained guarantee of the corporate reputation and financial strength of the Ebro Foods Group.

These risk control systems cover all the activities performed by the Group, consisting essentially of the agro-industrial rice and pasta businesses. The risks covered by these systems affect food quality, environmental, supply, business, credit (or counterparty), regulatory, social and political, financial (exposure to exchange rate fluctuations), occupational and technological issues.

#### SUPPLY RISKS:

The Ebro Foods business depends on the supplies of commodities such as rice and durum wheat. There is a risk of not obtaining sufficient raw materials of an adequate quality to match the company's standards and at an adequate price.

The company acts in two ways to reduce this risk: diversifying our sources of supply, taking positions on the principal producing markets (Thailand, India, Egypt, Italy and Uruguay in rice, and USA and France in durum wheat) if we consider that this will give us a competitive edge; and reaching long-term supply agreements or collaboration agreements with the producers we consider important for our business.

The Group is a pioneer within its sector in the development and furtherance of R+D, environmental and food quality, and internal audit.

The Group has environmental and food quality, commercial or counterparty risk, occupational hazard prevention and research & development committees, which are responsible for preventing and mitigating the risks.

#### R+D AND FOOD QUALITY:

The Group's policy is based on the principle 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, UNE-EN-ISO 14001:2004 and ISO 22000:2005, certified in most of the Group's production centres in Europe, USA and Canada.

The food safety programmes are based on following 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: controls to detect materials alien to the product or the presence of metals.
- Chemical: detection of chemical elements or presence of allergens.
- Biological: presence of elements such as salmonella or other types of pathogen.

Most of our handling processes have obtained IFS (International Food Security) certification and the pasta plants in the United States have obtained compliance certification from the Global Food Safety Initiative (GFSI). In the United Kingdom, we are part of the BRC (British Retail Consortium).

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 has 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.

The Group has taken out several insurance policies covering risks related with food safety.

All investment projects incorporate a risk analysis, to enable their economic and strategic assessment prior to decision-making. Decisions are adopted by the corresponding body according to the limits established, the largest projects requiring approval by the Board.

Finally, the Group is also exposed to another two types of risk: regulatory risk, subject to the guidelines established in the Common Agricultural Policy (CAP) and country or market risk.

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

D.2. Have any of the different types of risk (operating, technological, financial, legal, reputational, tax...) affecting the company and/or its group materialised during the year?

YES

If so, indicate the underlying circumstances and whether the control systems worked.

**Risk materialised during the year**

Reputational risk

**Underlying circumstances**

Presence of horsemeat in a licensed trademark in France, when the labelling states that it is beef.

**Functioning of the control systems**

The control systems of those risks worked properly.

**Risk materialised during the year**

Competition risk

**Underlying circumstances**

Loss of market share owing to a mistaken price policy at the beginning of the year in our US pasta subsidiary.

**Functioning of the control systems**

The control systems of those risks worked as planned.

D.3. Is there a Committee or other governing body responsible for establishing and supervising the control systems?

YES

If so, describe its duties:

**Name of committee or body**

Audit and Compliance Committee

**Description of duties**

- Supervise the efficiency of the company's internal control, internal audits, where appropriate, and risk management systems.
- 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.

#### D.4. Identification and description of processes for compliance with the different regulations affecting the company and/or its group.

The Group has a set of internal rules and procedures for its different activities, which are fully in keeping with the applicable legal provisions.

During 2011 the Group designed a risk map. This risk map is based on a software tool through which information is input by the risk managers of each unit in each of the subsidiaries. In the process of pinpointing, assessment and management of risks, risks are ranked from greater to lesser impact for the Group and according to the probability of occurrence. The process assesses both the inherent risk and the residual risk after application of the internal controls and action protocols established to mitigate them. This model is both qualitative and quantitative and can be measured in the Group's results.

The Group has critical variables management systems in the area of food and environmental quality, which are in a constant process of continuous assessment and audit. The audit covers all production centres and the risk managers in each subsidiaries and the Audit and Compliance Committee are informed on the results.

The reports of the Group's Internal Audit Department are prepared by experts independent from the business management and the department sends its conclusions and recommendations to the management bodies of the Group subsidiaries and the Audit and Compliance Committee of the parent company, Ebro Foods, S.A., so that any remedies required may be taken and any necessary improvements implemented.

The board has also published a code of conduct and a corporate governance policy, by virtue of which we have been ahead of the legal requirements established from time to time.

Finally, we consider it important to mention that at the close of this Report the Group is in the process of setting up a whistle-blowing channel for confidential reports, accessible by all Group employees, and a protocol to prioritize, process, investigate and solve all reports according to their importance and nature, paying special attention to those concerning a possible financial or accounting misrepresentation or possible fraudulent activities.

## E. GENERAL MEETING

E.1. Indicate the quorums for General Meetings established in the Articles of Association and the differences, if any, in respect of the minimums stipulated in the Corporations Act.

NO

	<b>% quorum differing from that stipulated in the Corporations Act s. 102 for ordinary resolutions</b>	<b>% quorum differing from that stipulated in the Corporations Act s. 103 for special resolutions</b>
<b>Quorum required on 1st call</b>	0	0
<b>Quorum required on 2nd call</b>	0	0

E.2. Are there any differences in respect of the system stipulated in the Corporations Act for adopting corporate resolutions? If so, explain.

NO

What differences exist in respect of the system stipulated in the Corporations Act?

E.3. Describe any shareholders' rights in respect of General Meetings differing from those established in the Corporations Act.

The Regulations of the General Meeting contain and develop, in the articles indicated below, all the shareholders' rights in respect of general meetings stipulated in law, thus complying with the rules and recommendations for good governance:

- Shareholders' right to information is exhaustively regulated in Articles 5 and 6.
- Shareholders' right to attend and be represented by proxies is regulated in Article 7.
- Shareholders' right to participate is set out in Articles 11 and 12.
- Shareholders' voting right is regulated in Article 14.
- Finally, Article 18 establishes the shareholders' right to be informed of the resolutions adopted by the general meeting by the legal means of publication or through the company's website, where the full text of such resolutions must be published. Moreover, any shareholder may at any time obtain a certificate of the resolutions adopted and the minutes of the meeting.

E.4. Describe the measures adopted, if any, to encourage the participation of shareholders at General Meetings.

- Detailed, developed regulation of rights to information, attendance, proxy and voting contained in the Regulations of the General Meeting, as indicated above.
- Detailed notice of call to general meetings, clearly stating all the shareholders' rights and how they may be exercised.
- Publication of the corresponding notice in the Official Trade Registry Bulletin, on the company's website and on the website of the National Securities Market Commission, through the appropriate regulatory announcement.
- Holding of general meetings where shareholders can easily attend, in the best and most comfortable conditions possible.
- Assistance for shareholders through the Shareholders' Office, where the team responsible for Investor Relations and other qualified staff are available to provide any assistance required by shareholders.
- Delivery of gifts to shareholders to encourage them to go to general meetings.

E.5. Are General Meetings presided by the Chairman of the Board and what measures, if any, are taken to guarantee the independence and proper functioning of the General Meeting?

YES

## Details of measures

The Regulations of the General Meeting regulate a number of measures regarding the organisation and procedure of the general meeting to guarantee its independence and proper functioning.

Article 9 of said Regulations establishes the following measures in this regard:

- General meetings shall be presided by the Chairman of the Board, or, in his absence, by the Vice-Chairman, or otherwise by a director elected in each case by the shareholders attending the meeting.
- The Chairman shall be assisted by a Secretary, who shall be the Secretary of the Board, or the Vice-Secretary, if any, or otherwise such person as may be appointed at the general meeting.
- Should the Chairman or Secretary of the general meeting have to leave during the meeting, his/their duties shall be taken over by the corresponding person or persons as above and the meeting shall continue.
- The directors attending the general meeting shall form the Presiding Board.

Article 10 of the Regulations establishes the procedure for drawing up the attendance list, which may be drawn up in a file or included on any kind of data carrier. Moreover, should the Chairman deem fit, he may appoint two or more shareholders to act as scrutineers, assisting the presiding board in drawing up the attendance list and, if necessary, in the counting of votes, informing the general meeting thereof once it has been declared quorate.

The powers of the Chairman of the General Meeting are described in Article 13 of the Regulations:

- Direct the direct the debate, ensuring that it remains within the confines of the agenda and ending it when he considers the business sufficiently debated.
- Organise the shareholders' contributions as established in Article 12 of the Regulations of the General Meeting.
- Decide, where appropriate, on any extension of the time initially granted to shareholders to speak.
- Moderate the shareholders' contributions, requesting them if necessary to keep to the agenda and observe the appropriate rules of correct conduct when speaking.
- Call the shareholders to order when their contributions are clearly made to filibuster or upset the normal course of the general meeting.
- Withdraw the floor at the end of the time assigned for each contribution or when, despite the admonitions made in pursuance of this article, the shareholder persists in his conduct, taking such measures as may be necessary to ensure that the general meeting resumes its normal course.
- Announce voting results.
- Resolve any issues that may arise during the general meeting regarding the rules established in these Regulations.

Finally, as regards the conclusion and minutes of general meetings, Article 15 of the Regulations establishes that after voting on the proposed resolutions, the general meeting shall conclude and the Chairman shall close the session. The minutes of the general meeting may be approved at the end of the meeting or within fifteen days thereafter by the Chairman of the General Meeting and two scrutineers, one representing the majority and the other representing the minority, who shall be appointed at the proposal of the Chairman after declaring the general meeting quorate. If the presence of a notary has been required to issue a certificate of the general meeting, the minutes set out in the certificate shall be notarial and, as such, shall not require approval by those attending or by scrutineers.



## E.6. Indicate any modifications made during the year to the Regulations of the General Meeting.

At the Annual General Meeting held on 29 May 2012, the shareholders resolved to alter the Articles of Association and Regulations of the General Meeting. And on 28 May 2012 the Board of Directors approved the modification of the Regulations of the Board.

The main purpose of all these changes was to adapt the Articles and Regulations to the latest amendments made in the Corporate Enterprises Act and the new regulations and recommendations currently in place on the Financial Reporting Internal Control System.

The new Regulations of the General Meeting were also intended to adapt to the new Articles of Association.

The alterations made to the Regulations of the General Meeting were:

- Modification of paragraph g of Article 2 ("Competence of the General Meeting") to add a general referral to the law and the articles of association.

- Modification of Article 3 ("Power and obligation to call general meetings") to adapt it to Article 168 of the Corporate Enterprises Act, affecting the time within which extraordinary general meetings must be held when requested by shareholders representing at least 5% of the capital.

- Modification of Article 4 ("Publication of the Notice of Call") to adapt it to the new publication and call requirements established in sections 177, 516 and 517 of the Corporate Enterprises Act.

- Modification of Article 4 bis ("Right to request the calling of a general meeting, supplement the agenda and submit new proposed resolutions") to recognise the right of shareholders representing at least 5% of the capital to request the calling of a general meeting, add new items to the agenda and submit new proposed resolutions, pursuant to the provisions of sections 168 and 519 of the Corporate Enterprises Act.

- Modification of Article 6 ("Shareholders' right to information prior to the general meeting") to expedite the company's response to shareholders.

- Modification of Article 7 ("Attendance and proxies"): (i) the requirement whereby general meetings could be attended only by shareholders holding at least 100 shares was eliminated; (ii) proxy terms and conditions were adapted to the requirements set out in sections 183, 522, 523 and 524 of the Corporate Enterprises Act; and (iii) the requirements stipulated in section 526 of that Act were included in cases of public requests for representation.

- Modification of Article 14 ("Voting and resolutions") to adapt it to section 525 of the Corporate Enterprises Act, which requires the determination, for each resolution carried, of the aspects specified in point 7 of this article in the voting results at general meetings.

- Modification of Article 18 ("Publication of resolutions") to adapt it to section 525 of the Corporate Enterprises Act, which establishes a time limit for publishing the resolutions adopted at general meetings on the company's website.

## E.7. Give details of attendance of General Meetings held during the year:

Details of Attendance					
Date General Meeting	% in person	% by proxy	% distance voting		Total
			Electronic vote	Others	
29/05/2012	10.880	54.280	0.000	0.000	65.160

**E.8. Give a brief account of the resolutions adopted at the general meetings held during the year and percentage of votes with which each resolution was passed.**

All the resolutions proposed by the Board at the Annual General Meeting of Shareholders held on 29 May 2012 were approved on the terms and with the results indicated below:

**ITEM ONE ON THE AGENDA**

- To approve the separate and consolidated annual accounts of Ebro Foods, S.A. for the year ended 31 December 2011.

- To approve the separate and consolidated directors' report of Ebro Foods, S.A. for the year ended 31 December 2011, including the Annual Corporate Governance Report, as drawn up by the board of directors.

These resolutions were approved by a majority of 99.999% of the voting capital present and represented.

**ITEM TWO ON THE AGENDA**

- To approve the management of corporate affairs and all other actions performed by the Ebro Foods board during the year ended 31 December 2011.

This resolution was approved by a majority of 99.999% of the voting capital present and represented.

**ITEM THREE ON THE AGENDA**

- To approve the proposed application of the profit recorded by Ebro Foods, S.A. in the year ended 31 December 2011, as shown below and set out in the company's annual report:

Base of application in thousand euro: 1,002,757  
Unappropriated reserves: 872,283  
Balance of profit and loss account (profit): 153,554  
Interim dividend against 2011 profit, paid in 2011: (23,080)

- To approve the interim dividend of 0.15 euro per share against the 2011 profit, authorised by the board of directors on 15 June 2011, which was paid in two payments, the first on 3 October and the second on 22 December 2011, of 0.075 euro per share each, in a total sum of 23,080 thousand euro.

- To approve the distribution of another dividend of 0.45 euro per share, payable in 2012 in three four-monthly payments of 0.15 euro per share each, on 11 January, 11 May and 11 September 2012 in a total sum of 69,239 thousand euro. The first two payments made on 11 January and 11 May 2012 are thus ratified.

This dividend includes the proportional allocation that would correspond to the shares held as treasury stock.

These resolutions were approved by a majority of 99.947 of the voting capital present and represented.

**ITEM FOUR ON THE AGENDA**

- To approve, in pursuance of Article 34 of the Articles of Association, an extraordinary scrip dividend consisting of delivering own shares held as treasury stock representing 1% of the capital against the reserves recognised under liabilities on the balance sheet as of 31 December 2011.

The shares are to be delivered (the "Delivery Date") on 11 December 2012 at the rate of one (1) share for every ninety-nine (99) held by each shareholder.

For this purpose, anyone recognised as a shareholder of Ebro Foods, S.A. in the accounting records of the members of Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (IBERCLEAR) at the close of trading on 3 December 2012 (the "Determination Date") will be entitled to receive this scrip dividend. The shares will be delivered on the aforesaid Delivery Date through the systems and mechanisms established by IBERCLEAR.

In order to facilitate this operation, the Agent appointed for this purpose by the board of directors will coordinate with IBERCLEAR and its members to do whatsoever may be necessary or merely convenient to implement the distribution of dividends contemplated in this resolution, according to the procedure and on the terms defined therein, and any which may be established by the Board of Directors of Ebro Foods, S.A., which is expressly delegated by the General Meeting of Shareholders for this purpose.

The above notwithstanding, it is resolved to establish a mechanism to facilitate execution of this operation in respect of any shareholders who, at the Determination Date, hold a number of shares exceeding or falling short of the multiple defined by the board as the "Exact Delivery Ratio" (defined as the "delivery of one (1) share for every ninety-nine (99) held by each shareholder"). The shares exceeding that number will be referred to as "Excess shares" and those falling short of the multiple will be called "Odd lots":

(i) On the Delivery Date, Ebro Foods, S.A., through IBERCLEAR and its members, will deliver to the shareholders so entitled the whole number of shares corresponding to them according to the Exact Delivery Ratio.

(ii) Since, by application of the aforesaid Exact Delivery Ratio, a whole share in Ebro Foods, S.A. will not correspond to any excess shares, but the equivalent of a fraction of a share, an odd-lot settlement system will be established, in which each shareholder is deemed to participate, with no need for express instructions. The aforesaid system entails the settlement of odd lots through the payment of a cash sum equivalent to the value of the odd lot, instead of the corresponding fraction of a share.

(iii) For this purpose, the value of odd lots shall be determined according to the cash value of the fraction of share corresponding to the excess or shortfall, such that the amount paid by the Agent for each odd lot shall be equal to the result of multiplying that cash value by the fraction represented by the odd lot in the multiple, rounded off to the nearest euro cent.

(iv) The Agent appointed by Ebro Foods, S.A. shall keep the shares that would have corresponded to the odd lots and may dispose of them after completion of the operation.

(v) All commissions or charges that may be applied by the IBERCLEAR members or depositaries in respect of the distribution, pursuant to applicable legal provisions, will be paid by Ebro Foods, S.A., but not those that may accrue after transferring the shares delivered as scrip dividend.

- To approve also a dividend associated with the scrip dividend, as payment on account for shareholders subject to withholding tax under the tax laws in place at the date of delivery, or the equivalent sum in cash for other shareholders, according to the following paragraphs.

After distributing the scrip dividend, Ebro Foods, S.A. will pay to the Inland Revenue Service, as payment on account for shareholders subject to withholding tax under the tax laws in place at the delivery date, such sum as may be payable under those laws. This payment will be made within the regulatory time stipulated in the applicable tax laws.

The date and exact amount of the aforesaid payment (expressed in euro per share) will be announced in due course in the corresponding Regulatory Announcement.

Ebro Foods, S.A. will pay the same amount per share as a cash dividend to any shareholders who are not subject to withholding tax under the tax laws in place at the delivery date.

The dividends approved under this item on the agenda include the proportional allocation that would correspond to the shares held as treasury stock.

All the powers required to execute this resolution, including development of the procedure described above, and any powers necessary or convenient for all and any actions and formalities required to conclude the operation contemplated herein are expressly delegated to the Board of Directors, which is in turn expressly authorised to delegate them to the Executive Committee, such Director or Directors as it may deem fit or any other person engaged by the Board.

These resolutions were approved by a majority of 99.947% of the voting capital present and represented.

#### ITEM FIVE ON THE AGENDA

- To renew the appointment of DELOITTE, S.L., tax registration no. B-79104469, with registered office at Plaza Pablo Ruiz Picasso, 1 - Torre Picasso, Madrid, as Auditors of the Company and its Group, to audit the separate and consolidated annual accounts and directors' reports of Ebro Foods, S.A. for 2012.

This resolution was approved by a majority of 97.999% of the voting capital present and represented.

#### ITEM SIX ON THE AGENDA

- To vote for the Annual Directors' Remuneration Report issued by the Board of Directors, including the remunerations of each and all of the directors, specified individually and itemised, in a total sum of 4,244 thousand euro.

This resolution was approved by a majority of 99.998% of the voting capital present and represented.

#### ITEM SEVEN ON THE AGENDA

- To expressly authorise the board, with the fullest powers necessary, to make one or several financial contributions to Fundación Ebro Foods over forthcoming years, up to and not exceeding the sum of five hundred thousand euro (500,000 €), without prejudice to similar authorisations granted by the General Meeting in previous years for the Board to donate funds to Fundación Ebro Foods.

This resolution was approved by a majority of 99.989% of the voting capital present and represented.

#### ITEM EIGHT ON THE AGENDA

8.1. To approve the alteration of Article 2 ("Objects").

This resolution was approved by a majority of 99.937% of the voting capital present and represented.

8.2. To approve the alteration of the following articles: Article 9 ("General Meeting"); Article 10 ("Notice of Call"); inclusion of new Article 10 bis ("Right to request the calling of a general meeting, supplement the agenda and submit new proposed resolutions"); Article 13 ("Attendance"); Article 14 ("Proxies"); and Article 18 ("Minutes").

This resolution was approved by a majority of 99.937% of the voting capital present and represented.

8.3. To approve the alteration of the following articles: Article 23 ("Notice of call and venue of meetings"); Article 25 ("Positions on the Board"); and Article 27 ("Delegation of powers").

This resolution was approved by a majority of 99.937% of the voting capital present and represented.

8.4. To approve the alteration of Article 28 ("Executive Committee, Audit and Compliance Committee and other Committees").

This resolution was approved by a majority of 99.937% of the voting capital present and represented.

8.5. To approve the alteration of the following articles: Article 31 (“Contents of the Annual Accounts”); Article 32 (“Directors’ Report”); Article 33 (“Auditing of Annual Accounts”); Article 35 (“Alteration of Articles of Association”); Article 37 (“Winding-up”); and Article 38 (“Liquidation”).

This resolution was approved by a majority of 99.937% of the voting capital present and represented.

The alteration of the articles listed above is resolved in view of the written report issued by the directors justifying the alteration, approved by the board on 25 April 2012 in pursuance of section 285 of the Corporate Enterprises Act, which was made available to shareholders as from publication of the notice of call and included in the documents delivered.

The altered articles will have the text as set out in the aforesaid directors’ report.

8.6. To approve the recasting of the resolved alterations of the Articles of Association in a single text, to have them are incorporated in a single public instrument.

This resolution was approved by a majority of 99.937% of the voting capital present and represented.

The recast Articles of Association were made available to shareholders as from publication of the notice of call and included in the documents delivered.

#### ITEM NINE ON THE AGENDA

9.1. To approve the alteration of Article 2 (“Competence of the General Meeting”).

This resolution was approved by a majority of 99.937% of the voting capital present and represented.

9.2. To approve the alteration of the following articles: Article 3 (“Power and obligation to call general meetings”); Article 4 (“Publication of the Notice of Call”); inclusion of a new Article 4 bis (“Right to request the calling of a general meeting, supplement the agenda and submit new proposed resolutions”).

This resolution was approved by a majority of 99.937% of the voting capital present and represented.

9.3. To approve the alteration of the following articles: Article 6 (“Shareholders’ right to information prior to the general meeting”); and Article 7 (“Right to attend and proxies”).

This resolution was approved by a majority of 99.937% of the voting capital present and represented.

9.4. To approve the alteration of the following articles: Article 14 (“Voting and resolutions”); and Article 18 (“Publication of resolutions”).

This resolution was approved by a majority of 99.937% of the voting capital present and represented.

The alteration of the articles listed above is resolved in view of the written report issued by the directors justifying the alteration, approved by the board on 25 April 2012 in pursuance of Article 19 of the Regulations of the General Meeting, which was made available to shareholders as from publication of the notice of call and included in the documents delivered.

The altered articles will have the text as set out in the aforesaid directors’ report.

9.5. To approve the recasting of the resolved alterations of the Regulations of the General Meeting in a single text, to have them are incorporated in a single public instrument.

This resolution was approved by a majority of 99.937% of the voting capital present and represented.

The recast Regulations of the General Meeting were made available to shareholders as from publication of the notice of call and included in the documents delivered.

#### ITEM TEN ON THE AGENDA

- To consider the General Meeting duly informed of the alteration of the Regulations of the Board approved by the board on 28 March 2012 to adjust them to the new laws and regulations applicable to corporate enterprises in general and listed companies in particular, and to the Articles of Association and Regulations of the General Meeting proposed for approval under items 8 and 9 on the agenda.

The Articles altered are: "Justification, purpose, underlying principles and structure of the Regulations"; Article 1 ("Purpose"); Article 2 ("Scope of application"); Article 6 ("General scope of action of the Board of Directors"); Article 7 ("Specific duties regarding certain matters"); Article 8 ("Principles"); Article 9 ("Board meetings"); Article 13 ("Audit and Compliance Committee"); Article 14 ("Nomination and Remuneration Committee"); Article 15 ("Strategy and Investment Committee"); Article 16 ("Management Committee"); Article 18 ("Relations with shareholders and markets"); Article 20 ("Relations with the senior management"); Article 22 ("Incompatibilities: No Competition Obligation, Conflicts of Interest and Related Party Transactions"); Article 33 ("Chairman of the Board"); Article 34 ("Managing Director"); Article 35 ("General Manager") has been eliminated; new Article 35 ("Secretary of the Board").

This resolution was approved by a majority of 91.474% of the voting capital present and represented.

The recast Regulations of the Board was made available to shareholders as from publication of the notice of call and included in the documents delivered.

#### ITEM ELEVEN ON THE AGENDA

- To approve the appointment of José Antonio Segurado García for a term of four years as non-executive independent director of the company.

This resolution was approved by a majority of 98.840% of the voting capital present and represented.

- To approve the appointment of José Ignacio Comenge Sánchez-Real for a term of four years as non-executive independent director of the company.

This resolution was approved by a majority of 98.840% of the voting capital present and represented.

- To approve the appointment of Fernando Castelló Clemente for a term of four years as non-executive independent director of the company.

This resolution was approved by a majority of 98.840% of the voting capital present and represented.

- To maintain the number of Board members at thirteen (13), pursuant to section 211 of the Corporate Enterprises Act and Article 19 of the Articles of Association.

This resolution was approved by a majority of 98.840% of the voting capital present and represented.

#### ITEM TWELVE ON THE AGENDA

- To authorise the board members named below to engage in the activities indicated, pursuant to section 230 of the Corporate Enterprises Act:

12.1. Instituto Hispánico del Arroz, S.A., to hold the position of Director in the following companies of the Hisparroz Group: El Cobujón, S.A, Dehesa Norte, S.A., Mundiarroz, S.A., Pesquerías Isla Mayor, S.A., Australian Commodities, S.A. and Islasur, S.A.

This resolution was approved by a majority of 99.944% of the voting capital present and represented.

12.2. Antonio Hernández Callejas, to hold the position of Director in Deoleo, S.A.

This resolution was approved by a majority of 99.944% of the voting capital present and represented.

12.3. Demetrio Carceller Arce, to hold the position of Director in Deoleo, S.A.

This resolution was approved by a majority of 99.944% of the voting capital present and represented.

12.4. Dr. Rudolf-August Oetker, to hold the position of Director in Chairman of the Advisory Board in Dr. August Oetker KG and to be a member of the Advisory Board of the following companies in the Dr. August Oetker KG group: Dr. Oetker GmbH, Dr. August Oetker Nahrungsmittel KG, Dr. Oetker International Beteiligungs GmbH, Dr. August Oetker Nahrungsmittel Beteiligungs GmbH and Hamburg Südamerikanische Dampfschiffahrts-Gesellschaft KG.

This resolution was approved by a majority of 99.944% of the voting capital present and represented.

#### ITEM THIRTEEN ON THE AGENDA

To ratify, pursuant to section 11 bis of the Corporate Enterprises Act, the Ebro Foods, S.A. corporate website created in relation to section 538 of that Act, at the address: [www.ebrofoods.es](http://www.ebrofoods.es).

It is declared to all intents and purposes that the aforesaid corporate website has been duly registered with the Madrid Trade Registry.

This resolution was approved by a majority of 99.990% of the voting capital present and represented.

#### ITEM FOURTEEN ON THE AGENDA

- To expressly authorise the Chairman, Secretary and Vice-Secretary of the Board, as extensively as may be required by law, so that any one of them, acting individually and with his/her sole signature, may execute, put on record and give notice of each and all of the resolutions adopted at this General Meeting, supplement, develop and remedy those resolutions, deliver them and secure their full or partial entry in the Trade Register or in any other registers kept by the corresponding public or private institutions, execute and rectify public or private documents of whatsoever nature and take such other action or actions as may be necessary.

This resolution was approved by a majority of 99.999% of the voting capital present and represented.

E.9. State the number of shares required to attend General Meetings, indicating whether any restrictions are established in the articles of association.

NO

<b>Number of shares required to attend general meeting</b>	
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E.10. Describe and justify the company's policies on proxy votes at General Meetings.

Proxy votes are regulated in Article 7 of the Regulations of the General Meeting.

3. Any shareholder entitled to attend may be represented at general meetings by another person as stipulated in the law and articles of association.

Proxies shall be granted specifically for each general meeting.

The shareholder may appoint a proxy and notify the company of this appointment in writing or by electronic means. The company shall establish a system for electronic notification of appointment, with such formal requirements as may be necessary and sufficient to guarantee identification of the shareholder and the proxy or proxies. The provisions of this paragraph will also be applicable for the revocation of proxies.

Regardless of whether the representation is voluntary or required by law, no shareholder may have more than one proxy at any general meeting.

A proxy may represent more than one shareholder, with no limitation on the number of shareholders represented. When a proxy represents several shareholders, he may vote differently according to the instructions issued by each shareholder.

In any case, the number of shares represented shall be counted for calculation of the quorum.

Prior to appointment, the proxy shall inform the shareholder in detail of any possible conflict of interest. If the conflict arises after his appointment and he has not advised the represented shareholder of its possible existence, he shall inform the latter immediately. In both cases, if new specific voting instructions are not received for each of the issues in which the proxy may have to vote on behalf of the shareholder, the proxy shall abstain from voting.

There may be a conflict of interest for the purposes of this Article, in particular, when the proxy is in any of the following situations:

- a) If he is a controlling shareholder of the Company or an undertaking controlled by that controlling shareholder.
- b) If he is member of the board, management or supervisory bodies of the company, controlling shareholder or an undertaking controlled by the latter.  
If he is a director, the provisions of section 526 will be applicable.
- c) If he is an employee or auditor of the company, controlling shareholder or an undertaking controlled by the latter.
- d) If he is an individual related party to the foregoing. Related individuals shall be: the spouse or someone who has been the spouse in the previous two years, or common-law partner or someone who has been living with the proxy in the previous two years, and the ascendants, descendants, peers and their respective spouses.

If the represented shareholder has issued instructions, the proxy shall vote in accordance with those instructions and shall keep those instructions for one year after the corresponding general meeting. Proxies may be revoked at any time. The personal attendance at the general meeting of the represented shareholder shall have the effect of revocation of the proxy.

4. Professional financial intermediaries may exercise voting rights on behalf of any of their clients who are shareholders, whether individuals or legal persons, and have granted a proxy in their favour.

Any financial intermediary receiving such a proxy shall notify the company within seven days prior to the date on which the general meeting is to be held, enclosing a list indicating the identity of each client, the number of shares in respect of which the financial intermediary votes on the client's behalf and the voting instructions, if any, received by the financial intermediary.

The financial intermediary may vote differently in fulfilment of different voting instructions, as the case may be.

5. In cases of public requests for representation, the document containing the power of attorney shall contain or annex the agenda, voting instructions and indications of how the representative is to vote when no specific instructions have been issued. A public request shall be deemed to exist whenever any one person represents more than three shareholders.

The proxy may also include any items which, although not included on the agenda for the General Meeting, may lawfully be transacted thereat.

If there are no voting instructions because the General Meeting is going to resolve on issues which, by law, do not need to be included on the agenda, the proxy shall vote howsoever he may consider his principal's interests best favoured.

If the represented shareholder has issued instructions, the proxy may only vote otherwise in circumstances of which the shareholder was unaware at the time of issuing the instructions and when the represented shareholder's interests are in jeopardy.

In the last two cases, the proxy shall inform the represented shareholder forthwith in writing, explaining the reasons for his vote.



In cases of public requests for representation, the director assigned such representation may not exercise the voting right in respect of any items on the agenda in which he may be in conflict of interest, unless he has received specific voting instructions from the principal for each of those items, as stipulated in law. The director will, in any case, be considered to be in a conflict of interest in respect of the following decisions:

- a) his appointment, re-election or ratification as director;
- b) his dismissal, removal or cessation as director;
- c) any corporate action brought against him for liability;
- d) approval or ratification, as appropriate, of company transactions with the director in question or companies that he controls or represents, or persons acting on his behalf.

**E.11. Is the company aware of the policies of institutional investors regarding their participation or otherwise in company decisions?**

NO

**E.12. Address and access to the corporate governance contents on the company's website.**

Ebro Foods's corporate website <http://www.ebrofoods.es> is set up as a vehicle of continuous, up-to-date information for shareholders, investors 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.

This section includes, pursuant to current legislation, the chapter on Corporate Governance. The specific address of this chapter is:

<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/>

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
- 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.

## F. 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. In the event of non-compliance with any recommendations, explain the recommendations, standards, practices or principles applied by the company.

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.9, B.1.22, B.1.23, E.1 and E.2*

Complies

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 C.4 and C.7*

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.

Complies

4. Detailed proposals of the resolutions to be adopted at a General Meeting, including the information contemplated in Recommendation 28, should be published simultaneously with the notice of call to the General Meeting.

Explanation

The proposed resolutions corresponding to items 5 and 11 on the Agenda for the General Meeting were approved by the Board of Directors after publication of the notice of call.

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.

*See section E.8*

Complies

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.

See section E.4

Complies

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

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 B.1.10, B.1.13, B.1.14 and D.3

b) The following decisions:

- i) Upon recommendation by the chief executive, the appointment and possible removal of senior officers, and corresponding severance clauses.

See section B.1.14

- 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.

See section B.1.14

- 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 C.1 and C.6*

Complies

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 B.1.1*

Complies

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.2, A.3, B.1.3 and B.1.14*

Complies

11. If any non-executive director cannot be considered proprietary or independent, the company should explain this circumstance and the director's ties with the company or its executives, or with its shareholders.

*See section B.1.3*

Complies

12. 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 B.1.3, A.2 and A.3*

Complies

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

*See section B.1.3*

Complies

14. 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 B.1.3 and B.1.4*

Complies

15. When there are few or no female directors, the Board should explain the reasons for this situation and the steps taken to correct it. In particular, when vacancies arise on the Board, the Nomination Committee should ensure that:

- a) There is no hidden bias against women candidates in the selection procedures;
- b) The company makes a conscious effort to include women with the target profile among the candidates.

*See sections B.1.2, B.1.27 and B.2.3*

#### Explanation

Board members are appointed regardless of candidates' sex, so there is no positive or negative discrimination of any nature in the election of directors.

María Blanca Hernández Rodríguez was appointed director in 2006 and Sol Daurella Comadrán in 2010.

16. 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 B.1.42*

#### Complies

17. 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 B.1.21*

#### Complies

18. 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 B.1.34*

#### Complies

19. 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 B.1.29*

#### Complies

20. 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 shall be issued.

*See sections B.1.28 and B.1.30*

#### Complies

21. 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

22. 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 B.1.19

Complies

23. 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 B.1.42

Complies

24. 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 B.1.41

Complies

25. 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

26. 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 B.1.8, B.1.9 and B.1.17

Complies

27. 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 B.1.2

Complies

28. 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.

Partial Compliance

This Recommendation is followed in all sections except b).

29. Independent directors should not remain on the Board as such for more than 12 years in succession.

*See section B.1.2*

Complies

30. 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 B.1.2*

Complies

31. 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 described in point III.5, definitions, of this Code.

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 12.

*See sections B.1.2, B.1.5 and B.1.26*

Complies

32. 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 124 of the Corporations 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 B.1.43 and B.1.44*

Complies

33. 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

34. 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 B.1.5

Not applicable

35. The remuneration policy approved by the Board should regulate at least the following aspects:

- a) Amount of fixed items, specifying the amount of attendance fees, if any, for Board and Committee meetings and estimating the fixed remuneration for the year;
- b) Variable pay items, including, in particular:
  - i) Types of director to which they are applicable and an explanation of the relative weight of the variable pay items to the fixed items;
  - ii) Criteria for assessment of results on which any right to remuneration in shares, stock options or any other variable component is based;
  - iii) Essential parameters and basis for any system of annual bonus payments or other non-cash benefits; and
  - iv) An estimate of the aggregate sum of variable remunerations deriving from the proposed remuneration plan, according to the degree of fulfilment of the reference hypotheses or objectives.
- c) Principal terms of the welfare schemes (e.g. supplementary pensions, life assurance and similar), estimating the amount or equivalent annual cost.
- d) Conditions to be respected in top management and executive director contracts, including:
  - i) Term;
  - ii) Notice; and
  - iii) Any other clauses concerning golden hellos or golden parachutes for early termination of the contractual relationship between the company and the executive director.

See section B.1.15

Complies

36. 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.

See sections A.3 and B.1.3

Complies

37. 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

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

Not Applicable



39. In the case of variable remuneration, the pay policies should establish such 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

40. The Board should submit to an advisory vote at the General Shareholders' Meeting, as a separate item on the agenda, a report on the directors' remuneration policy. This report should be made available to shareholders, as a separate document or in whatsoever other form the company may deem fit.

The report should focus especially on the remuneration policy approved by the Board for the current year and that established, if any, for future years. It shall address all the issues contemplated in Recommendation 35, except those points that could entail disclosure of commercially sensitive information. It shall stress the most significant changes in such policies in respect of that applied during the previous year to which the General Meeting refers. It shall also include a global summary of implementation of the remuneration policy in the previous year.

The Board should also inform on the role played by the Remuneration Committee in defining the remuneration policy and, if external assistance has been used, the identity of the external advisers who provided such assistance.

See section B.1.16

Complies

41. The individual remunerations of directors during the year shall be disclosed in the Annual Report, including the following details:

- a) Breakdown of the remuneration of each director, including, where applicable:
  - i) Attendance fees and other fixed sums payable to directors;
  - ii) Additional compensation for being Chairman or member of one of the Committees of the Board;
  - iii) Payments made under profit-sharing or bonus schemes and the reasons for their accrual;
  - iv) Contributions on behalf of the director to defined-contribution pension schemes; or increase in the director's vested rights in contributions to defined-benefit schemes;
  - v) Any indemnities agreed or paid upon termination of their duties;
  - vi) Compensation received as director of other group companies;
  - vii) Remuneration received by executive directors as payment for their senior management duties;
  - viii) Any sums paid other than those listed above, regardless of the nature or the group company paying them, especially when it may be considered a related-party transaction or omission would distort the true and fair view of the total remuneration received by the director.
- b) Breakdown for each director of any deliveries of shares, stock options or whatsoever other instrument linked to the value of the company's share, specifying:
  - i) Number of shares or options granted during the year and conditions for exercising the options;
  - ii) Number of options exercised during the year, indicating the corresponding number of shares and the exercise price;
  - iii) Number of options pending exercise at year end, indicating their price, date and other conditions for exercise;
  - iv) Any modification during the year of the conditions for exercising options granted earlier.
- c) Information on the ratio during the previous year of remuneration received by the executive directors and the company's profits or any other measure of its earnings.

Complies

42. When there is an Executive Committee, the balance between the different types of director should roughly mirror that of the Board. The Secretary of the Board should be Secretary of the Executive Committee.

See sections B.2.1 and B.2.6

Complies

43. 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

44. 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 B.2.1 and B.2.3

Complies

45. 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.

Complies

46. 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

47. 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.

Complies

48. 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

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

a) The different types of risk (operating, 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 D

Complies

50. The Audit Committee should:

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

- a) Supervise the preparation and integrity of the financial information on the company and, where appropriate, the group, checking for compliance with applicable legal provisions, adequate definition of the consolidated group and correct application of accounting standards.
- b) Check internal control and risk management systems on a regular basis to ensure that the principal risks are adequately identified, managed and disclosed.
- c) 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.
- d) 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) Submit proposals to the Board on the nomination, appointment, reappointment and replacement of the external auditor and its terms of engagement.
- b) Receive regular information from the external auditor on the audit plan and findings and make sure the senior management acts on its recommendations.
- c) 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, if any.
  - ii) The company and the auditor should be ensured to respect all rules and regulations in place regarding the provision of services other than auditing services, limits on concentration of the auditor's services and any other rules established to guarantee the auditors' independence;
  - iii) Investigate the circumstances giving rise to resignation of any external auditor.
- d) In groups, encourage the auditor of the group to audit the group companies.

See sections B.1.35, B.2.2, B.2.3 and D.3

Complies

51. 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

52. 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 B.2.2 and B.2.3

Complies

53. 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 B.1.38*

Complies

54. 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 B.2.1*

Complies

55. 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 B.2.3*

Partial Compliance

All the duties contemplated in this Recommendation correspond to the Nomination and Remuneration Committee except the duty mentioned in d).

The Nomination and Remuneration Committee does not report to the board on the gender issues contemplated in Recommendation 14 of the Code of Good Governance because the company does not make any positive or negative discrimination in the election of directors, who are elected regardless of their sex, as indicated in section B.1.27 and in the explanation to Recommendation 14 of this Report.

56. 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

57. 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 B.1.14 and B.2.3*

Complies

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

Complies

## G. OTHER INFORMATION OF INTEREST

If you consider there to be an important principle or aspect regarding the corporate governance practices applied by your company that have not been mentioned in this report, indicate them below and explain the contents.

EXPLANATORY NOTE ONE, CONCERNING SECTION A.2.

UBS AG has not provided the information requested concerning the identity of the direct holders of its indirect interest.

EXPLANATORY NOTE TWO, CONCERNING SECTION A.5.

For relations between the Ebro Foods companies and their significant shareholders, see section C.2 of this report.

EXPLANATORY NOTE THREE, CONCERNING SECTION B.1.11.

- Explanations concerning paragraph a):

1. Of the total variable remuneration in 2012, €343 thousand correspond to the Deferred Annual Variable Remuneration, linked to the Group's Strategic Plan 2010-2012, corresponding to 2010. A provision was made for this amount in the 2010 accounts.

2. Similarly, a provision of €1,297 thousand was recognised in the 2012 accounts for the Deferred Annual Remuneration linked to the Group's Strategic Plan 2010-2012, corresponding to 2012 and representing 70% of the three-year period. This amount will accrue and be payable in 2014.

3. The Deferred Annual Remuneration Scheme is not indexed to the value of the Ebro Foods share; nor does it imply receipt by the beneficiaries of shares or any other rights thereover.

- Explanations concerning the following pay items and other benefits reflected in section B.1.11:

1. Provisions stipulated in the Articles: share in profits stipulated in Article 22 of the Articles of Association. See section B.1.14 of this Report.

2. Pension Funds and Schemes. Contributions: no Board members are beneficiaries of supplementary life and retirement insurance. The company has not granted any loans or advances to Board members or contracted any obligations on their behalf under guarantees or bonds.

- It is put on record that the Directors' remunerations declared in section B.1.11 include the following:

. Remuneration received by José Barreiro Seoane from 1 January 2012 to 29 May 2012, on which date he ceased to be a Board member.

. Remuneration received by Leopoldo del Pino y Calvo Sotelo from 1 January 2012 to 23 November 2012, on which date he ceased to be a Board member.

. Remuneration received by José Antonio Segurado García from 29 May 2012, on which date he joined the Board.

EXPLANATORY NOTE FOUR, CONCERNING SECTION B.1.12.

- In 2012, of the total remuneration corresponding to all the executives of the Ebro Foods Group (excluding the Executive Director), €5 thousand correspond to the Deferred Annual Variable Remuneration, linked to the Group's Strategic Plan 2010-2012, corresponding to 2010. A provision was recognised for this amount in the 2010 accounts.

- A provision of €145 thousand was also recognised in the 2012 accounts for the Deferred Annual Remuneration linked to the Group's Strategic Plan 2010-2012, corresponding to 2012 and representing 70% of the three-year period. This amount will accrue and be payable in 2014.

- The Deferred Annual Remuneration Scheme is not indexed to the value of the Ebro Foods share; nor does it imply receipt by the beneficiaries of shares or any other rights thereover.

- The remuneration of all the executives of Ebro Foods has been taken into account, even though not all of them are included in the senior management.

- Finally, the amount indicated in this section also includes the remuneration and termination benefits received in 2012 by another two executives who left the company during the year.

#### EXPLANATORY NOTE FIVE, CONCERNING SECTIONS B.1.11 AND B.1.12.

Ebro Foods, S.A. has taken out and maintains a civil liability insurance policy for its directors and executives, covering all its subsidiaries, with a limit on compensation of €45 million/year, with an annual cost of €67,500, valid up to 30 April 2013. This policy is currently in the process of renewal.

#### EXPLANATORY NOTE SIX, CONCERNING SECTION B.1.13.

The contracts of two executives contemplate guarantee clauses in the event of dismissal or takeover in excess of the compensation established in the Workers' Statute.

The clauses initially established for other executives are now below the compensation established in the Workers' Statute, owing to their accumulated seniority.

#### EXPLANATORY NOTE SEVEN, CONCERNING SECTION B.1.17.

- Instituto Hispánico del Arroz, S.A. has a 15.879% stake in Ebro Foods, S.A., held in part directly and in part through Hispafoods Invest, S.L.

- Antonio Hernández Callejas has an indirect interest in Ebro Foods, S.A. through the 15.879% interest held in the company by Instituto Hispánico del Arroz, S.A.

- María Blanca Hernández Rodríguez has an indirect interest in Ebro Foods, S.A. through the 15.879% interest held in the company by Instituto Hispánico del Arroz, S.A.

- Demetrio Carceller Arce has an indirect interest in Ebro Foods, S.A. through the 9.749% indirect interest held in the company by Sociedad Anónima Damm.

#### EXPLANATORY NOTE EIGHT, CONCERNING SECTION B.2.1.

The Audit Committee of Ebro Foods, S.A. is called the Audit and Compliance Committee.

The Nomination Committee of Ebro Foods S.A. is the Nomination and Remuneration Committee.

#### EXPLANATORY NOTE NINE, CONCERNING OTHER MATTERS OF INTEREST

1. Ebro Foods, S.A. has an interest of less than 20% (16.822% at 31 December 2012) in Biosearch, S.A. This interest is recognised in the Ebro Group accounts as "Available-for-sale financial assets".

Biosearch, S.A. is a listed company with activities similar to the objects of Ebro Foods, S.A. Miguel Ángel Pérez Álvarez, non-member Secretary of the Board of Ebro Foods, is proprietary director of Biosearch.

The transactions made between 1 January and 31 December 2012 between different companies in the Ebro Foods Group and Biosearch, S.A. are listed below:

- Herba Ricemills, S.L.U.: purchase of goods (finished or otherwise) for €108 thousand.
- Herba Ricemills, S.L.U.: receipt of services for €77 thousand.
- Herba Ricemills, S.L.U.: leases (income) for €25 thousand.
- Dosbio 2010, S.L.U.: leases (expense) for €28 thousand.
- Ebro Foods, S.A.: rendering of services for €90 thousand.

2. Ebro Foods has a significant interest of 9.333% in Deoleo, S.A., a company with activities similar to the objects of Ebro, recognised in the Ebro Group accounts as "Available-for-sale financial assets".

Antonio Hernández Callejas, Chairman of the Board of Ebro Foods, S.A., is also proprietary directors of Deoleo.

The transactions made between 1 January and 31 December 2012 between different companies in the Ebro Foods Group and Deoleo are listed below:

- Herba Ricemills, S.L.U.: purchase of goods (finished or otherwise) for €32 thousand.
- Herba Ricemills, S.L.U.: rendering of services for €23 thousand.
- Herba Ricemills, S.L.U.: receipt of services for €31 thousand.
- Lassie Nederland, B.V.: receipt of services for €156 thousand.
- Lustucru Riz, S.A.: purchase of tangible, intangible or other assets for €653 thousand.

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.

Binding definition of independent director:

State whether any of the independent directors have or have had any relationship with the company, its significant shareholders or its executives which, if sufficiently large or significant, would have disqualified the director from being considered independent pursuant to the definition set out in section 5 of the Unified Code of Good Governance.

NO

Date and signature:

This annual corporate governance report was approved by the Board of Directors of the company on

28/03/2013

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

NO

**ANNEX TO THE**  
**ANNUAL CORPORATE GOVERNANCE REPORT 2012**  
**OF EBRO FOODS, S.A.**

Under section 61 bis of the Spanish Securities Market Act, listed companies are obliged to publish an annual report on corporate governance.

The National Securities Market Commission (CNMV) has established that until the legislative processes for developing the new model of report have been completed, the annual corporate governance report may be drawn up according to the contents and structure of the model established in Circular 4/2007, without prejudice to the obligation to include the contents stipulated in section 61 bis of the Securities Market Act not specifically included under any of the sections of the model and forms currently used.

For this reason, on drawing-up its annual accounts 2012 the board of directors of Ebro Foods, S.A. (hereinafter, the company) issues this supplement to the annual corporate governance report.

**1. Information on the securities that are not traded on an EC regulated market, indicating the different classes of shares, if any, and for each class of shares the rights and obligations conferred and the percentage of capital represented by treasury stock and any significant variations thereof (Securities Market Act s. 61bis.4(a)(3)).**

The company has not issued any shares that are traded on a non-EC market.

**2. Any restriction on the transferability of shares and any restriction on voting rights (Securities Market Act s. 61bis.4(b)).**

No restrictions are established in the Articles of Association on the transferability of shares or on voting rights..

**3. Information on the rules applicable to alteration of the company's articles of association (Securities Market Act s. 61bis.4(c)(4)).**

There are no requirements for altering the articles of association other than those stipulated in the Corporate Enterprises Act.

**4. Information on significant agreements entered into by the company and which become effective, are modified or terminated in the event of a change of control of the company following a takeover bid, and the effects thereof, except when disclosure may be seriously detrimental to the company. This exception will not be applicable when the company is obliged by law to disclose this information (Securities Market Act s. 61bis.4(c)(4)).**



Ebro Foods has not entered into any agreements of this nature.

**5. Information on agreements between the company and its directors, executives or employees establishing indemnities upon resignation or unfair dismissal, or if their employment is terminated following a takeover bid (Securities Market Act s. 61bis.4(c)(5)).**

In 2006 the Chairman, Antonio Hernández Callejas, announced to the board his full, irrevocable waiver of the golden parachute clause originally included in his contract, consisting of a net indemnity equivalent to two years' gross total annual remuneration.

The contracts of two other Ebro Foods executives include guarantee clauses or events of dismissal or takeover, varying between one and two years' remuneration.

In the contracts of other executives, the compensations initially contemplated are now below the indemnity established in the Workers Statute, owing to their length of service.

Finally, when we mention "executives", we refer to all employees holding management positions in Ebro Foods, although they are not all included in the Senior Management.

**6. Information on the powers of board members, particularly concerning the authority to issue or buy back shares (Securities Market Act s. 61bis.4(c)(3)).**

**6.1 Information on the powers of board members**

Antonio Hernández Callejas, Chairman-CEO, is the only director authorised (as a class A attorney) to exercise the powers indicated below:

One: Represent the company and use its authorised signature, representing the company in all kinds of transactions, businesses, contracts and agreements included within its objects. Make with the European Union, state, regional (autonomous community), provincial, island or local authorities and, in general, with any public or private person or entity, and enter into works, services or supplies contracts awarded by tender, auction, direct agreement or by any other form of awarding contracts permitted by law, submitting and signing the corresponding bids, accepting any awards made in favour of the company, performing such actions and signing such public or private documents as may be necessary or convenient for the execution, fulfilment and settlement of the contract in question.

These powers shall be exercised jointly and severally by any of the class A attorneys whenever the amount of each transaction, business or contract is equal to or less than 50,000 € and jointly by any two of them for amounts over 50,000 €.

Two: Plan, organise, direct and control the development of the company and all its activities, work places and facilities, reporting to the Chairman of the Board and

proposing such changes as the attorney may consider necessary in the corporate organisation.

These powers shall be exercised jointly and severally by any class A attorney.

Three: Sell, buy, swap, replace, assign, encumber and dispose of, under whatsoever title, all kinds of assets, including real estate, stocks and shares, and furnish guarantees to subsidiaries and third parties. Participate in the founding and organisation of all kinds of companies and entities, accepting and making appointments therein.

These powers shall be exercised jointly by two class A attorneys.

Four: Stipulate, make, accept, alter, withdraw and cancel appropriations, deposits and bonds, provisional or final, at any public or private entity, including the government depository (*Caja General de Depósitos*) and the Bank of Spain.

These powers shall be exercised jointly and severally by any class A attorney or jointly by two class B attorneys.

Five:

a) Open, use, settle and cancel current, savings or credit accounts at any bank, including the Bank of Spain, or other credit institutions and savings banks, signing such documents as may be necessary or convenient for this purpose, and draw down and withdraw funds from them using cheques, drafts, receipts and transfer orders.

b) Arrange, make and enter into loan transactions and sign such public and private documents as may be necessary, reporting to the board at the first meeting held thereafter of any use made of these powers.

All these powers shall be exercised jointly by two class A attorneys.

The powers of opening and withdrawing from accounts contemplated in paragraph a) may be exercised jointly by two class B attorneys, provided the amount of the transaction does not exceed 50,000 €.

Six: Draw, accept, collect, pay, endorse, protest, discount, guarantee and negotiate bills of exchange, trade or finance bills, promissory notes, cheques and other draft and exchange instruments. Make endorsements and discounts of receipts, commercial paper of whatsoever nature, setting the terms and conditions thereof, and payment orders against the Treasury, banks, deposit entities and any other institutions or entities at which the company may hold securities, bills, cash or any other kinds of assets.

These powers shall be exercised jointly by two class A attorneys.

Seven: Claim, collect and receive any sums due or payable to the company, in cash, bills, notes or whatsoever other form, by individuals, banks, other such institutions,

the European Union, state, regional, provincial, island or local authorities and, in general, by any public or private entity. Issue and request receipts, establish and settle balances and accounts. Establish the terms of payment of any sums due to the company, grant extensions, set instalments and the amounts thereof.

Accept from debtors all kinds of personal and real sureties and guarantees, including chattel and real-estate mortgage guarantees, possessory or non-possessory pledges, with such terms, conditions and clauses as the attorney may deem fit, and cancel them on receipt of the secured amounts or receivables.

These powers shall be exercised jointly and severally by any class A attorney.

The powers of claiming, collecting and receiving any amounts due or payable to the company in cash, bills, notes or whatsoever form by individuals, banks, other institutions or entities, the European Union, state, regional, provincial, island or local authorities and, in general, by any public or private entity may also be exercised jointly by any two class B attorneys.

Eight: Make all kinds of payments, doing whatsoever may be necessary to secure due fulfilment of all the company's obligations and request the appropriate receipts.

These powers shall be exercised jointly and severally by any of the class A attorneys whenever the amount of each transaction, business or contract is equal to or less than 50,000 € and jointly by any two of them for amounts over 50,000 €.

Nine: Represent the company before third parties and in, on or before all kinds of councils, chambers, commissions and committees of whatsoever nature, associations, mutual societies, registries, delegations, offices and departments of the European Union, state, regional, provincial, island or local authorities or any other administrative, governmental or other centres, institutions or bodies, at all levels and instances, both Spanish and foreign, or appoint a person who is to exercise such representation on behalf of the company. Exercise all rights and interests corresponding to the company. Make requests and applications. Institute such enquiries as may be appropriate, requesting any data, copies or documents in the company's interests and making claims, including any claims requiring prior settlement, and lodge appeals of any nature in administrative channels. Withdraw from enquiries, claims and appeals at any stage of the proceedings and execute or enforce final decisions. Answer or request notary and other instruments, certificates and requests. Requests such certificates, transcripts and certified copies as may be in the company's interests.

These powers shall be exercised jointly and severally by any class A attorney or jointly by two class B attorneys.

Ten: Appear and represent the company before courts, tribunals, prosecution services, juries or other contentious-administrative or labour bodies, authorities or centres, in all jurisdictions and at all instances and levels, both Spanish and from any other country or international organisation, entering into such legal relationships as they may deem fit, especially complying with the requirement established in section

45.2(d) of Act 29/1998 of 13 July by merely signing the brief filing a contentious-administrative appeal (appeal for judicial review).

Grant and revoke powers of attorney to lawyers, solicitors, barristers and attorneys-at-law.

Exercise all kinds of claims and actions, file all kinds of pleas and defence in any proceedings, formalities or appeals, as claimant/plaintiff, defendant or in whatsoever other status. Lodge and file all kinds of ordinary and extraordinary judicial claims and appeals, including appeals for review and to the Supreme Court. Abandon and withdraw from judicial actions, claims, litigations and appeals at any stage of the proceedings. Answer interrogatories and questioning in court as legal representative of the company and, whenever so required, make express, personal ratification. Compromise on and submit to arbitration any business in which the company may have an interest. Execute or enforce final court judgments.

Represent the company and participate on behalf of the company in all kinds of receivership, stoppage of payments, bankruptcy or insolvency proceedings, compositions or arrangements with creditors or winding up under supervision of the court, proving the company's claims, endeavouring to protect them and accepting awards in payment, granting or denying reductions and extensions. Appoint, accept and reject trustees, administrators, experts and receivers and propose and challenge proposals made in the respective arrangements. Compromise, agree on instalments, reductions and extensions contemplated in the arrangement, sign arrangements and follow the proceedings through all stages and formalities up to the fulfilment and execution of the final awards and decisions.

Choose addresses and submit tacitly or expressly to jurisdictions.

These powers shall be exercised jointly and severally by any class A attorney.

Eleven: Execute the resolutions adopted by the board of directors or executive committee regarding the executive personnel, after hearing the opinion of the nomination and remuneration committee; and in respect of other employees, recruit, move, penalise, suspend and dismiss employees; establish remunerations, salaries and other emoluments of any employee; grant termination benefits and, in general, solve all and any issues concerning company employees. Appoint and revoke representatives and agents.

These powers shall be exercised jointly and severally by any class A attorney.

Twelve: Execute and fulfil the resolutions adopted by the general meeting of shareholders and the board of directors, as well as the executive committee and the managing director, if any, executing, where necessary, such deeds and other public or private documents as may be required by the legal nature of the actions taken and transactions made.

These powers shall be exercised jointly and severally by any class A attorney.

Thirteen: Grant powers of attorney to third parties delegating all or part of the powers vested in him herein, and revoke powers of attorney, in full or in part, including any granted prior to this power of attorney, executing such public or private documents as may be necessary for this purpose and reporting to the board at the next meeting held of any use made of this power.

These powers shall be exercised jointly by three class A attorneys.

Fourteen: Attend and represent the company at the general meetings of shareholders and/or partners of all the companies in the Ebro Group and adopt such resolutions as may be deemed necessary, without limitation.

These powers are granted exclusively to the following attorneys and shall be exercised jointly and severally by any of them: Antonio Hernández Callejas, Pablo Albendea Solís, Miguel Ángel Pérez Álvarez and Yolanda de la Morena Cerezo.

## **6.2 Information on the powers of board members regarding the power to issue or buy back shares**

No member of the board is authorised to issue or buy back shares.

It is mentioned here that at the AGM held on second call on 15 June 2011, the shareholders resolved, under item six on the agenda, to authorise the board to increase the capital on one or several occasions, by such amount as it may decide and up to the maximum limit established by law, over a period not exceeding five years, and to resolve to exclude the preferential subscription right in the event of issuing shares and/or convertible debentures if so required in the interests of the company. That resolution has not been revoked and is transcribed in section E.8 of the annual corporate governance report 2011.

## **7. Description of the main characteristics of the internal risk management and control systems in the financial reporting process.**

### **7.1 Control of the company**

#### **7.1.1 Bodies and/or persons responsible for: (i) the existence and maintenance of an adequate and effective FRICS; (ii) its implementation; and (iii) its supervision**

As established in its Regulations, the board is ultimately responsible for the existence, maintenance and oversight of an adequate, effective financial reporting internal control system (FRICS), assigning the existence and maintenance of 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 financial department, as well as the financial 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 auditors and executives of the organisation (finance area or other areas) as and when this may be necessary.

According to the Regulations of the Board, the Audit and Compliance Committee is responsible for:

- a) Supervising and promoting internal control of the company and its risk management systems.
- b) Overseeing and promoting the policies, procedures and systems for preparing and controlling the company's financial reporting, checking the services performed in this regard by the Internal Audit Department, Finance Management and Management Committee, making sure they are adequately distributed within the Group.
- c) Ensuring that the internal control systems are adequate and effective in respect of the accounting principles and practices used when drawing up the company's annual accounts, supervising the policies and procedures established to guarantee due compliance with the applicable legal provisions and internal regulations.
- d) Overseeing fulfilment of the internal codes of conduct and corporate governance rules. In particular, ensuring the implementation of and compliance with the codes and internal regulations applicable to the risk management and control system, both in general and in relation to the financial reporting process.

#### **7.1.2 Whether the following exist, particularly in connection with the preparation of financial reporting:**

**Departments and/or mechanisms responsible for: (i) the design and review of the organisational structure; (ii) clearly defining the lines of responsibility and authority, with an adequate distribution of tasks and duties; and (iii) the existence of sufficient procedures for their correct publicising within the company**

As established in its Regulations, the board is responsible for defining the general strategy and guidelines for management of the company and boosting 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 company, 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 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 management, are informed of any new member of a subsidiary.

**Code of conduct, body responsible for approval, degree of disclosure and instruction, principles and values included (stating whether there are specific mentions to the recording of transactions and preparation of financial information), body responsible for analysing default and providing 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 standardization tool to guarantee progressive implementation throughout the Group of the ten principles of the United Nations Global Compact.
- Grow responsibly and committed to all our stakeholders.

As established in the Code of Conduct, that the Group assumes a principle of conduct based on informative transparency, 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.

**Whistle-blowing channel, through which the Audit Committee can be informed on any financial and accounting irregularities, as well as any breaches of the code of conduct or irregular activities in organisation, indicating whether that 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 this year, 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 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. Training plans are established for employees every year covering different areas of application. Those training plans are implemented in each subsidiary according to its needs.

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 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.

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

During the year approximately 1,500 hours of external training have been given to a total of 160 employees distributed among the different areas involved in the generation and checking of the financial reporting of Group subsidiaries.

## **7.2 Measurement of risks in financial reporting**

### **7.2.1 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 bring the measures dealing with the risk in line with the Group's global risk policy.

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, implementing an internal control system.

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 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 Risks-Controls Matrix and updated to take account of any changes in the scope of consolidation of the Group, 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.

### **7.3 Control activities**

#### **7.3.1 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 for decision-making and that 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 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's financial information 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
- Cash.

The documentation outline is extended progressively, according to the materiality and the general criteria established in the Group's financial reporting internal control system. Responsible persons have been identified for each of the documented processes in each subsidiary, who are responsible for keeping those processes up to date on an annual basis, reporting to the Group 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.

### **7.3.2 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.

- 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 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.
- iv) Ebro has internal tools which, combined with the user support departments and systems (Help Desk), 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.

### **7.3.3 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 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 fact 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).

## **7.4 Information and communication**

### **7.4.1 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.
- 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.

#### **7.4.2 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 statement 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 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.

## **7.5 Supervision of the functioning of the system**

**7.5.1 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 commission 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 outcome of the 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 an 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 2012, the External Auditor attended 3 meetings of the Audit and Compliance Committee and the Internal Auditor has attended 6 such meetings.

**7.6 Other significant information**

N/A

**7.7 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.**

Yes. The external auditor's report will be annexed when the annual accounts for 2012 are published.

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**REPORT ON DIRECTORS' REMUNERATION**

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# ANNUAL REPORT ON DIRECTORS' REMUNERATION 2012

## BOARD OF DIRECTORS OF EBRO FOODS S.A.

### 1. INTRODUCTION.

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

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

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

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

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

## 2. INTERNAL PROVISIONS APPLICABLE

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

### **“Article 22: Directors’ Emoluments**

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

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

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

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

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

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

*.../...*

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

e) *Supervision of the senior management remuneration and incentives policy, obtaining information and reporting on the criteria followed by the Company's subsidiaries in this respect.*"

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

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

### 3. REMUNERATION FOR 2012

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

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

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

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

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

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

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

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

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

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

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

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

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

#### DIRECTORS' REMUNERATION AND OTHER EMOLUMENTS

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

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

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

## 4. REMUNERATION POLICY FOR COMING YEARS

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

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

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

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

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

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

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

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

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

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

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

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

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

## 5. OTHER INFORMATION

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

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

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

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



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**AUDIT COMMITTEE REPORT**

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## REPORT OF THE AUDIT AND COMPLIANCE COMMITTEE

In pursuance of Supplementary Provision Eighteen to the Stock Market Act 24/1988 of 28 July and the recommendations of the National Securities Market Commission (CNMV), this report sets out the duties and activities performed by the Audit and Compliance Committee and its work as liaison between the Board and the Auditors during the year ended 31 December 2012.

The main activities performed during 2012 can be classified into two major groups, corresponding to the duties of the Commission:

- ❖ Checking of all financial information distributed by the company and coordination with the auditors.
- ❖ Analysis of the internal control systems and supervision of the Internal Audit Department.

### **CHECKING OF ALL FINANCIAL INFORMATION DISTRIBUTED BY THE COMPANY AND COORDINATION WITH THE EXTERNAL AUDITORS**

The Audit and Compliance Committee has 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 control of 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, both in general and in respect of the financial reporting publishing process.

During 2012 the Audit and Compliance Committee examined the contents of the financial information distributed to third parties at least at the following meetings:

- ❖ Review and analysis of the H2 2011 financial report (Committee meeting of 29 February 2012).
- ❖ Review and analysis of the separate and consolidated annual accounts 2011 and examination of the provisional report by the external auditors (Committee meeting of 28 March 2012).
- ❖ Review and analysis of the Q1 2012 financial report to be filed with the CNMV (Committee meeting of 25 April 2012).

- ❖ Review and analysis of the H1 2012 financial report to be filed with the CNMV (Committee meeting of 24 July 2012).
- ❖ Review and analysis of the economic and financial information for Q3 2012, together with the financial report to be filed with the CNMV (Committee meeting of 31 October 2012).

#### **ANALYSIS OF THE INTERNAL CONTROL SYSTEMS BY THE INTERNAL AUDIT DEPARTMENT**

One of the duties commissioned by the Regulations of the Board is to check the procedures and systems used for the Company's financial reporting, supervised by the internal audit services. The Internal Audit Department draws up an Annual Plan, which it submits to the Audit Committee for subsequent monitoring.

The work done by the Internal Audit Department includes audits of operations and procedures to analyse the internal control systems of the parent and its subsidiaries. The conclusions of these audits have been presented to the audited companies for discussion and to the Ebro Foods Audit and Compliance Committee.

Financial audits have also been made of some of the group's subsidiaries, to supplement the work done by the external auditors.

Some of the most important work done by the internal audit services and analysed at Committee meetings are listed below.

#### **Financial audits:**

- ❖ American Rice (Committee meeting of 31 January 2012)
- ❖ Herba Puerto Rico (Committee meeting of 25 April 2012)
- ❖ Stevens & Brotherton (Committee meeting of 24 July 2012)
- ❖ Herba Ricemills (Committee meeting of 24 July 2012)
- ❖ Panzani (Committee meeting of 18 December 2012)
- ❖ New World Pasta (Committee meeting of 18 December 2012)

Finally, the Audit and Compliance Committee also addressed the following issues during 2011:

- ❖ Amendment of internal regulations and Group Code of Conduct (Committee meeting of 29 February 2012).
- ❖ Analysis of related party transactions, conflicts of interest and risks (Committee meeting of 28 March 2012).
- ❖ Study of the proposed fees of the External Auditor for 2012 (Committee meeting of 29 May 2012).
- ❖ Status situation of the risk control and financial reporting system in the Ebro Group (Committee meeting of 31 October 2012).
- ❖ Report by the external auditor on the development of external audit work during the year and report on checking of the financial reporting internal control systems (Committee meeting of 18 December 2012).
- ❖ Dividend policy for 2012 (Committee meeting of 18 December 2012).
- ❖ Approval of the Annual Internal Audit Plan for 2013 (Committee meeting of 18 December 2012).