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01

**SUSTAINABILITY REPORT 2011**

CHAIRMAN'S STATEMENT

**Dear stakeholders,**

Once again we have endeavoured to develop socially responsible management and continue progressing in the definition of structures, guidelines and processes that will enable us to maintain sustainable growth, showing all our stakeholders the transparency of our business model. In the area of Corporate Social Responsibility, we began enhancing the systems for the different group companies to report their information and started to standardise procedures to enable the correct processing of that information. The purpose of this work was to make the information we offer you more reliable, define the correct contents on which our subsidiaries are to report to us according to their respective business activities and, therefore, the real impact they might have on our overall performance, set goals for improvement and commence a reporting process in which we can gradually offer an annual comparison of the data presented. It is hard work because we are present in several different countries on different continents and, therefore, the laws and regulations differ between them in several aspects, and also because our companies vary in size and each has its own idiosyncrasy, requiring also considerable instructive work to achieve a homogenous interpretation of the contents. Our ultimate aim is to improve communication regarding the different actions taken by the company and its subsidiaries within the scope of social responsibility and to present this report in accordance with the principles of the Global Reporting Initiative (GRI) within a period of two years.

During 2011, we also reflected on the contents of our Code of Conduct and just two months ago the board approved a new text which, while applying the vision and values of the Group, responds to the growing demand for good governance practices and initiatives in listed companies and responsible behaviour by multinationals. In particular, this Code reflects the Group's commitment to the principles of business ethics and transparency in all areas of activity, establishing a set of principles and guidelines intended to guarantee ethical and responsible conduct by all the professionals in the Ebro Group in the performance of their work. The Code is also a reference for relations with the different parties with which the Group interacts: shareholders, professionals, consumers, customers, suppliers, rivals, authorities and the markets in general. The text of this new Code and the guidelines laid down for its implementation and application can be found in this Sustainability Report and on our corporate website: [www.ebrofoods.es](http://www.ebrofoods.es).

In general, 2011 was complicated but the results turned out to be satisfactory for our company: we have created value and passed it on, once again, to all our areas of activity, our employees, customers, shareholders and environment and society at large.

In human resources we have maintained our endeavours to guarantee stable, quality employment for our professionals, which is reflected in the low staff turnover during 2011, of around 1.55%.

**CHAIRMAN'S  
STATEMENT**

In environmental management, we invested more than two and a half million euro during the year on implementing enhancements with a view to reducing our impact on the environment.

In social action, the Ebro Foundation has continued developing agricultural and food safety projects in countries such as Cameroon, Malawi, Tanzania, Uganda, Sudan, Ethiopia, Democratic Republic of the Congo, Mozambique and North Vietnam, and promoting initiatives that have contributed to both the social integration of the disabled and certain groups at risk of marginalization in the parts of Spain in which Ebro is most firmly established. We have also provided major backing for the work of food banks in Spain, France and the USA, donating products with a market value of over 700,000 €. Overall, Ebro spent almost 1.2 million euro on social action during 2011.

And in food quality and safety, we have further broadened our portfolio with new healthy products, at the same time keeping up with the changing needs of our consumers. We have also obtained new quality certifications under the standards ISO 9001 and ISO 22000 and the Safety Quality Food (SQF) protocol in the USA, and the plants of our subsidiary Riviana are currently waiting for certification under the Global Food Safety Initiative (GFSI).

We are aware of the importance of responsible business management. There is room for improvement, because we must aspire at all times to doing things better and in this regard, we have signed once again the commitment contracted with the UN Global Compact for the progressive implementation in Ebro of the ten principles it promotes and for the publication of our next Progress Report. That Report, together with this Sustainability Report, will give you a detailed insight into the company's performance in environmental and social matters.

**Antonio Hernández Callejas**

Chairman of Ebro Foods, S.A.





# 02

**SUSTAINABILITY REPORT 2011**  
PARAMETERS OF THE REPORT

**Number of countries in which the organisation operates and names of the countries in which it performs its main activities or that are specifically important regarding the sustainability aspects addressed in the report.**

The Ebro Foods Group performs all its business activity in 40 countries (details in the company's Annual Report), the most important geographical areas from the economic, environmental and social points of view being Europe and the United States.

From an economic point of view, 59% of the company's revenue in 2011 was generated in Europe, 35% in the USA and 5% in different countries in Africa and Asia.

In environmental performance, the significant environmental information corresponds to the Group's production facilities in Spain, USA, Canada, France, Germany, Denmark, Netherlands, UK, Portugal, Belgium, Egypt, Morocco and Thailand.

In labour relations, the perimeter is extended to all the Group's subsidiaries, except Mundiriso (Italy) and Boost Nutrition (Belgium).

All the companies in the Ebro Foods Group are included in aspects regarding Food Safety and Quality.

The section on social action programmes refers to the activities organised by the Ebro Foundation, which promotes social action in Ebro Foods, S.A., and the donations of food products made by the companies Herba Ricemills, Riviana and Panzani.

The reason why the information perimeters vary slightly from one chapter to another and not all the subsidiaries are included in the quantitative or qualitative information is because each company is different and it is objectively difficult to include them all with sufficient rigour in the corporate systems. This will be progressively improved as and when it is reasonably possible. In the opinion of Ebro Foods, these limitations do not have a material effect on the assessment that readers may make of the Group's performance.

## **PARAMETERS OF THE REPORT**

**NB:** Among what are considered developing countries, Ebro Foods only has industrial presence with its own workforce in Morocco, Egypt and Thailand. These countries are included in the company's social and environmental performance. The presence of Ebro Foods in Angola, Algeria, Libya, Sudan, Saudi Arabia, United Arab Emirates, India, Israel, Jordan, Kuwait, Syria and Yemen is limited to the marketing of some of its rice and pasta brands.

### **Stakeholders taken into account in the preparation of this report**

Stakeholders have been analysed from the point of view of their importance for the company's activities, grouped into eight categories:

- ▶ Employees
- ▶ Customers
- ▶ Shareholders
- ▶ Suppliers
- ▶ Society
- ▶ Environment
- ▶ Regulatory bodies
- ▶ Media

These stakeholders were identified by company management through an internal reflection process. Relations had already been established with some of these stakeholders with a view to meeting their expectations and the Group's needs, make further progress in future years and enhance the quality and transparency of the information.

### **Period covered by the information**

2011

### **Date of most recent previous report**

2010

### **Reporting cycle**

Annual

### **Contact for issues concerning the report or its contents**

For general issues on this report, please contact:

EBRO FOODS, S.A.

Dirección de Comunicación y Responsabilidad Social Corporativa

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28045 Madrid

Spain

E-mail:

[comunicacion@ebrofoods.es](mailto:comunicacion@ebrofoods.es)







03

**SUSTAINABILITY REPORT 2011**  
CODE OF CONDUCT

## 1. Introduction

This Code of Conduct ("the Code") is an update of the Code of Ethics of 2003 and Code of Conduct of 2008 of the Ebro Foods Group ("the Group") and 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.

## 2. Scope of application

**2.1.** The Code is binding on each and all of the Group's employees and executives, regardless of their hierarchical level and geographical location, and on all members of the governing bodies of the Group's companies.

**2.2.** The Code will also be applicable to customers, suppliers, shareholders and other stakeholders with which the Group interacts in its operations insofar as the values, principles and rules set out herein may be applicable to them and the Group has the power to enforce them.

**2.3.** The scope of application of the Code may also be extended to any other persons related with the Group whenever, by virtue of the nature of that relationship, their actions may in any way affect the reputation of Ebro Foods.

**2.4.** The contents of the Code will prevail over any contradictory internal regulations, unless the latter establish stricter behavioural requirements.

**2.5.** The employees of Group companies bound by codes of conduct under the national laws governing those companies shall also accept and comply with those other codes. Adequate coordination will be established to ensure that, as far as possible, those other codes of conduct contain the same principles, vision and values as the Ebro Foods Group Code of Conduct.

## I. GENERAL ASPECTS

**2.6.** Any violation or breach of the Code that is classified as a labour offence shall be penalised according to the labour laws, without prejudice to any other liability that the infringer may incur.

### **3. Monitoring and control of application of the Code of Conduct**

**3.1.** The Group shall progressively take such measures as may be necessary to enforce all the values, principles and rules set out in this Code, circulating it among all relevant persons and solving any queries or uncertainties regarding its application as per Section VI.

**3.2.** The Audit and Compliance Committee, by delegation of the Ebro Foods Board of Directors, is responsible for monitoring and controlling application of the Code. Any doubts that may arise regarding its interpretation and application shall be consulted as per Section VI.

**3.3.** The Audit and Compliance Committee shall report regularly to the Group's Board of Directors on any queries raised in respect of the interpretation and application of the Code of Conduct, how they have been solved, the level of compliance with the Code and any incidents related therewith or infringements thereof.

### **4. Development and amendment of the Code**

**4.1.** The Code of Conduct, by nature, cannot cover all potential situations, but merely establishes fundamental criteria to guide the conduct of the Group's professionals and, if necessary, settle any doubts that may arise in the performance of their professional duties. Each Group company may establish and develop specific rules of action in their area of business, respecting at all times the vision and values of the Group and the rules of conduct established in this Code, and shall report on those rules to the Audit and Compliance Committee through its Secretary.

**4.2.** Any justified non-observance of the Code of Conduct must be approved by the Audit and Compliance Committee, even when required by the national laws in place in any of the countries in which the Group operates.

The mission of the Ebro Foods Group is to research, create, produce and put on the market foods with a high value added, which satisfy people's nutritional requirements while enhancing their health and well-being.

The vision of the Ebro Foods Group is to achieve sustainable growth while ensuring ethical behaviour and personal and professional integrity in its business, creating value for shareholders, minimizing the impact of its operations on the environment, promoting the personal and professional development of its employees, improving the quality of life of society and satisfying the needs of its customers and consumers.

- ▶ Leadership
- ▶ Transparency
- ▶ Honesty
- ▶ Accountability
- ▶ Integrity
- ▶ Culture of effort
- ▶ Ambition to generate value
- ▶ Environmental responsibility
- ▶ Service vocation
- ▶ Focus on people
- ▶ Innovation
- ▶ Long-term sustainability



## **II. MISSION, VISION AND VALUES OF THE EBRO FOODS GROUP**

The Group policy goes beyond mere observation of and compliance with all the laws and regulations applicable to each business and requires:

- ▶ Not making any decisions without considering their ethical value.
- ▶ Rejecting unethical alternatives, just as others are rejected on the grounds of being economically unviable.
- ▶ Taking into account the side effects of each and every action.
- ▶ When making decisions, considering the stakeholders involved and respecting their rights.
- ▶ Harmonising ethical requirements with other achievements.
- ▶ Seeking at all times the utmost credibility.
- ▶ Abstaining from abuse of Ebro Foods' market position. There is no harm in mentioning the advantages deriving from our position, achieved through the legitimate success of our businesses, but they should not be imposed on other persons or organisations.
- ▶ Involving executives and employees in actions to improve the present and future yield of the company.
- ▶ Continuous training of executives and employees as the basis for achieving leadership and timely adaptation to changing circumstances.

**1.1.** Relationships among all employees shall be based at all times on respect for other people's dignity and non-discrimination.

### **III. GENERAL PRINCIPLES OF THE EBRO FOODS GROUP**



## **1. Commitment to Human Rights**

**1.2.** The Group prohibits abuse of authority and any kind of physical or psychological harassment, as well as any other conduct that may generate an intimidating, offensive or hostile working environment.

**1.3.** The Group will not employ anyone under age and rejects any form of direct or indirect child labour.

**1.4.** Forced, compulsory labour is not permitted in any Group company.

**1.5.** The Group will promote the principle of equal treatment and equal opportunities for all employees, regardless of their race, colour, nationality, ethnic origin, religion, sex, political or sexual inclination, civil status, age, disability or family responsibilities, as a principle behind all human resources policies and applicable in the recruitment of employees, training, career opportunities, pay levels and all other aspects of employment relationships.

**1.6.** The Group will not prevent or restrict exercise by its employees of their right to freedom of association, trade union membership and activities and collective bargaining.

**1.7.** The Group will respect and promote human rights. Ebro Foods acknowledges that human rights are fundamental, universal rights and should be construed and recognised in accordance with international laws and practice, particularly the United Nations Universal Declaration of Human Rights and the principles proclaimed by the International Labour Organization (ILO).

## **IV. EMPLOYEES OF THE EBRO FOODS GROUP**

## 2. Professional loyalty

The employees of the Ebro Group shall act at all times in the best interests of the company, loyally and making adequate use of the means and resources put at their disposal, avoiding any actions that could be detrimental to the company. In particular and in accordance with that general rule, they shall:

- (i) Protect and take care of the Group's assets that they have at their disposal or to which they have access, making no further use thereof than that required to perform their duties.
- (ii) Ensure that expenditure is made only insofar as it may be strictly necessary to perform their duties.
- (iii) Take every precaution to protect computer and data processing systems, taking extra care to implement the security measures available and avoiding any inadequate use of electronic mail, internet access or other similar possibilities put at their disposal.
- (iv) Respect the industrial property and rights to use corresponding to the Group in respect of any tool or any work developed or created within the Group, whether through their own professional work or that of third parties. They shall not, therefore, use those tools or work outside the professional scope of their work and shall return all material containing them on request.
- (v) Comply with the applicable data protection laws and regulations, treating all personal information as confidential.
- (vi) Use the image, name or brands of the Group exclusively for adequate performance of their professional duties within the Group.
- (vii) Abstain from availing themselves for their own benefit of any business opportunities of interest to the Group.



### 3. Professional development and training

The Group will promote the personal and professional development of its employees, encouraging them to improve their own skills and abilities. All selection, recruitment, training and internal promotion policies and actions will be based on clear criteria of capacity, skills and professional merit.

### 4. Work-life balance

The Group will encourage its companies to implement work-life policies to help employees to achieve the best possible balance between their work and personal commitments.

### 5. Pay policy

The Group will offer its employees fair, adequate remuneration for the labour market in which it operates.

### 6. Commitment to health and safety

**6.1.** The Group will guarantee a healthy, safe working environment for its employees, requiring its companies to take all reasonable measures to maximize the prevention of occupational hazards.

**6.2.** Group employees shall pay special attention to rules on health and safety at work with a view to preventing and minimizing occupational hazards. All employees will be responsible for maintenance of their workplace, observing the applicable health and safety rules and practices.





## **7. Right to privacy and data protection**

**7.1.** The Group shall respect its employees' right to privacy, in all forms, and undertakes not to disclose any personal data of its employees without their consent, except when required by legal obligation or by court or administrative order.

**7.2.** Any Group employees who have access to the personal data of other Group employees in their work are obliged to keep that information confidential, respecting at all times the data protection laws and regulations in place.

**7.3.** The Group shall also take such measures as may be necessary to preserve the confidential nature of any personal data it may have and to guarantee confidentiality in their transfer, whenever this is necessary for business purposes, in accordance with the prevailing data protection laws.

## **8. Conflicts of interest**

**8.1.** A conflict of interest shall be deemed to exist when the private interests of the employees working in any of the Group's companies, or any related parties, interfere with their duties and responsibilities within the company.

**8.2.** Related parties shall include: the employee's spouse or person with an equivalent relationship, ascendants, descendants or siblings of the employee or his/her spouse or person with an equivalent relationship, companies that are or may be directly or indirectly controlled by the employee or any of his/her related parties and companies or entities in which the employee or any of his/her related parties hold an executive or management position or from which he/she or they receive remuneration or emoluments of whatsoever nature.

**8.3.** In these cases, any employees who are affected by a conflict of interest in the performance of their duties shall abstain from making decisions and, in the event of any doubt regarding a possible conflict of interest, the affected person shall inform his/her superior, who shall in turn notify the Audit and Compliance Committee through its Secretary.

**8.4.** Under no circumstances may any operations or activities that represent or may represent a conflict of interest be performed within the Group without written authorisation from the Audit and Compliance Committee. The employee in question shall abstain from taking any action until the Committee has answered his/her consultation.

## 9. Gifts

Group employees may not give or accept gifts during the performance of their professional duties. By exception, the delivery and acceptance of gifts shall be permitted if they are: (a) normal commercial gestures and (b) not prohibited by law or generally accepted commercial practice.

## 10. Confidential information

Group employees shall keep all the trade secrets and information they may handle during their professional work strictly confidential. For this purpose, “confidential information” is any information capable of being disclosed orally, in writing or by any other tangible or intangible means or carrier, to which an employee may have access during his/her professional activity, including, among others, information related with business plans, products or services, financial forecasts, patents, trademarks and whatsoever other intellectual or industrial property rights, designs, budgets, particulars of customers, suppliers, shareholders, candidates in selection procedures and such other persons as may establish any kind of relationship with the Group, as well as any other information indicated or marked by the company as confidential.

This confidentiality duty shall be maintained even after termination of the employee’s contract with any of the Group companies.

## 11. Price-sensitive information

**11.1.** Price-sensitive information is any specific information on the Group that is not public and which, were it to be or have been made public, could affect the price of the Group’s shares.

**11.2.** Employees who have access to any price-sensitive information of the Group shall not disclose that information to any third parties outside the transaction causing the existence of that price-sensitive information.

## 1. Relations with shareholders

**1.1.** The Group undertakes to achieve for its shareholders not only the largest possible profit but also a sustained profit.

**1.2.** The Group is obliged to provide its shareholders promptly, fairly and transparently with all information directly or indirectly affecting the development of the company. It will, accordingly, previously inform them through the official bodies and immediately afterwards through the different external agents, media and analysts.

**1.3.** The Group shall respect and protect minority shareholders' rights, prohibiting any unfair or abusive use of insider or price-sensitive information.

**1.4.** Ebro Foods undertakes to manage the company according to the generally accepted principles of corporate governance. The Group has largely complied with the Recommendations set out in the Unified Code of Good Governance adopted in Spain, having implemented them almost entirely. Compliance with those Recommendations can be checked every year in the Annual Corporate Governance Reports published by the company and made generally available on the company's corporate web site.

## 2. Relations with suppliers

**2.1.** The Group shall develop a detailed procedure for the assessment and selection of its suppliers based on social, ethical and environmental criteria, with a view to selecting those which, apart from offering the best terms, share the Ebro Foods principles and commitments described in this Code.

**2.2.** The Group's relations with suppliers of goods and services shall be conducted ethically and lawfully. Influences seeking privileges or favourable treatment must be avoided. No Ebro Foods employee may receive gifts from suppliers or manufacturers of products consumed within the company, in the form of money, services or items, promotional or otherwise, with a high value or reasonably exceeding the habitual compliments, pursuant to Section IV.8 above. Likewise, no gifts shall be given that could make our suppliers uncomfortable or be misinterpreted by third parties.

**2.3.** Prices and other information indicated by suppliers are confidential and shall not be used outside Ebro Foods unless authorised in writing.

## V. RELATIONS WITH THE ENVIRONMENT OF THE EBRO FOODS GROUP

**2.4.** The Group's suppliers shall comply with the laws and regulations in place and respect internationally proclaimed human rights, making sure they do not violate or abuse any human rights within their business operations. Accordingly, all suppliers shall treat their employees with dignity and respect. No physical punishment, harassment or abuse of power shall be tolerated.

**2.5.** Suppliers shall see that their subcontractors work according to the rules promoted herein and the corresponding legal provisions.

**2.6.** All suppliers shall promote and respect the following principles:

- ▶ Abolish all forms of child labour.
- ▶ Eliminate all forms of forced and compulsory labour.
- ▶ Avoid discrimination in any job.
- ▶ Respect the maximum working hours and minimum wages established in the national laws in place in the country in which they operate.
- ▶ Ensure that their employees do their work according to occupational safety and hygiene standards.

**2.7.** The Group's suppliers shall take such measures as may be necessary to minimize the environmental impact of their operations and promote the development and propagation of environmentally friendly technologies.

**2.8.** The Group's suppliers shall make sure they do not participate in any kind of corruption, extortion or bribery that could infringe the generally accepted commercial rules or in any way affect the Ebro Group.

**2.9.** Suppliers shall allow inspections by Ebro Foods and authorised third parties to check full compliance of the preceding principles.

**2.10.** The Group shall value positively any suppliers who express their commitment to the principles promoted in this Code by accepting and complying with them.

**2.11.** The Group shall disclose the contents of this Code of Conduct to its suppliers, incorporating this Code in all contracts made with them.

### 3. Relations with consumers and customers

**3.1.** The Group undertakes to offer top quality services and products according to the quality requirements and standards established in law and its food safety and quality policy.

**3.2.** The Group shall strive to achieve maximum transparency in all information exchanged with consumers and customers in order to maintain a high degree of trust.

**3.3.** The Group shall guarantee the confidentiality of its customers' particulars, undertaking not to disclose them to third parties except with the customer's consent, by legal obligation or in response to court or administrative orders. Customers' personal data shall be obtained, used and processed in such a way as to guarantee their privacy and compliance with the personal data protection laws in place from time to time.

**3.4.** Any professionals of the Ebro Group who, by virtue of their job, have access to customer data, shall keep those data confidential and comply with all applicable laws on personal data protection.

### 4. . Relations with competitors

**4.1** The Group undertakes to compete fairly on the markets in which it operates, encouraging free competition, complying with the laws in place and avoiding any abusive conduct or restrictive practices.

**4.2.** The Group prohibits any actions entailing unfair competition and undertakes to ensure compliance with the fair trading laws applicable in the countries in which it operates.



## 5. Protection of the environment

**5.1.** The Group declares its firm commitment to respect and conservation of the environment, implementing an environmental protection policy which is updated as and when new circumstances appear.

**5.2.** The Group shall implement the necessary tools in its companies to minimize the impact of their operations on the environment, with a view to reducing pollution, making a rational use of resources, minimizing water, paper and energy consumption, reducing waste generation and emissions, favouring recycling and seeking eco-efficiency.

**5.3.** The Group shall see that its companies comply with the environmental laws applicable to their operations and any additional commitments assumed voluntarily.

**5.4.** The Group shall also foster the implementation of good environmental practices among its suppliers and customers.

## 6. Relations with society

**6.1.** The Group is a global company operating in several different geographical areas and, as such, contributes towards the creation of local employment and development in the communities in which it operates.

**6.2.** The Group has an active commitment to social action and works, through the Ebro Foundation, with Non-Governmental Organisations, Foundations and Institutions in the development of numerous programmes, including training and integration of the disabled, helping socially underprivileged groups and promoting agricultural projects in the Third World.



## **7. Relations with authorities, regulatory bodies and governments**

Relations with authorities, regulatory bodies and governments shall be conducted according to the principle of cooperation and transparency. Group employees shall not make any contributions on behalf of the company to political parties, authorities, regulatory bodies, governments or institutions in general.

## **8. True, adequate information**

**8.1.** Any forgery, manipulation or deliberate use of false information is fraud. The Group assumes a principle of conduct based on informative transparency, consisting of an undertaking to report reliable information to the markets, whether financial, accounting or of whatsoever other nature. Accordingly, the company's internal and external financial reporting shall give a true and fair view of its real economic, financial and equity situation according to generally accepted accounting principles. Group employees shall ensure that the information is true, complete and comprehensible. Under no circumstances shall they knowingly provide incorrect, inaccurate or vague information.

**8.2.** Relations with investors and financial analysts shall be channelled through the Ebro Foods Investor Relations Department.

Communications Department. None of the Group's employees shall provide information on the company to the media without the prior knowledge and authorisation of this Department.

## **9. Anti-corruption, bribery, illegal commissions and influence peddling**

**9.1.** The Group undertakes to eradicate any form of corruption within the company, including extortion, crime and money laundering.

**9.2.** No employee or collaborator of Ebro Foods shall attempt to unduly influence the government or civil servants or endeavour to obtain any favour from any political party.

**9.3.** All forms of corruption, bribery or payment of commissions are prohibited, through actions or omissions or the creation or maintenance of privileged or irregular situations with a view to obtaining any benefit for the Group or for the employees involved.

**9.4.** All employees and other persons having a contractual relationship with the Group undertake not to request, accept or offer any payment -in cash or in kind- or, in general, any unfair benefit or advantage of whatsoever nature favouring the employee or person in question or a third party over others. Employees shall also abstain from making payments with a view to securing easier or faster processing, consisting of the delivery of money or goods in kind, in whatsoever amount, in exchange for securing or expediting the course of an application or action at or in respect of any court, public administration or official body anywhere in the world.

## 1. Circulation and acceptance among the Group employees

The different companies of the Ebro Foods Group shall circulate the contents of this Code among their employees by:

- ▶ Sending it to the company e-mails of the employees, whenever they have them.
- ▶ Posting the Code on the notice board at each and all of their workplaces.

Moreover, the Human Resources Department of each company shall hand out a copy to each employee, obtaining in return the signed letter of acknowledgement and acceptance of the Code set out in Annex I hereto.

A copy of the Code shall also be delivered to any new employees who may join the company in the future, who will be required to sign the letter of acknowledgement and acceptance.

## 2. Answering of queries

The Ebro Foods Audit and Compliance Committee will be competent to settle any queries regarding the interpretation of this Code.

Any employee may submit consultations, suggestions or queries regarding specific cases that may affect him/her, addressing the Audit and Compliance Committee in any language via the specific e-mail [codigodeconducta@ebrofoods.es](mailto:codigodeconducta@ebrofoods.es).

The Audit and Compliance Committee, or such person as it may delegate, shall expressly answer or clarify all queries raised.

## **VI. INTERNAL CIRCULATION, ACCEPTANCE AND QUERIES REGARDING THE CODE**



All persons bound by this Code pursuant to Section 1.2 are obliged to comply and ensure compliance herewith.

Nobody, regardless of his/her position in the Group, is authorised to require a person bound by the Code to breach the contents hereof. No relevant person may justify any malpractice or conduct infringing the Code alleging an order from a superior or ignorance of the contents of the Code.

In this regard, any person bound by the Code may report, under a guarantee of absolute confidentiality, any default or infringement of any of the principles set out in this Code, for which a **reporting channel** is established as follows:

- ▶ Reports may be sent to the e-mail [canaldedenuncias@ebrofoods.es](mailto:canaldedenuncias@ebrofoods.es)
- ▶ Access to that e-mail account, technologically protected to prevent any unauthorised access, shall be limited exclusively to the Chairman of the Audit and Compliance Committee who, as independent director, has no relationship with the management structure of the Ebro Foods Group.
- ▶ According to the contents of the report, the Chairman of the Audit and Compliance Committee may obtain the appropriate information and make the necessary consultations to clarify the issue, guaranteeing at all times the absolute confidentiality of the reporter and not informing the reported person or persons until the investigation has concluded.
- ▶ The Chairman of the Audit and Compliance Committee shall keep in touch with the reporter, informing him/her of the enquiries made and the final outcome and consequences.
- ▶ The Chairman of the Audit and Compliance Committee shall in all cases establish the order of priority, process, investigate and resolve reports, according to their importance and nature, paying special attention to those concerning a possible financial or accounting fraud and possible fraudulent activities.

## **VII. WHISTLE-BLOWING PROCEDURE: REPORTING CHANNEL**

This Code of Conduct was approved by the Board of Directors of Ebro Foods, S.A. on 28 March 2012 and annuls and replaces the previous Code of Conduct, approved on 30 April 2008.

This Code shall be applicable to all the companies in the Ebro Foods Group as from 29 May 2012, the date of the Annual General Meeting of Shareholders of Ebro Foods, S.A.

The Board of Directors of Ebro Foods, S.A. shall regularly assess the awareness and effectiveness of this Code of Conduct and shall take such action as may be necessary, if any, in this regard.

The National Securities Market Commission (CNMV) was informed of this Code in a Regulatory Announcement of the same date and it has been published on the company's web site [www.ebrofoods.es](http://www.ebrofoods.es).



## **VIII. EFFECTIVE DATE AND EXTERNAL DISTRIBUTION**



04

**SUSTAINABILITY REPORT 2011**  
ENVIRONMENTAL PERFORMANCE

Aware that the company's growth must be sustainable, Ebro Foods has, as one of its management principles, undertaken to provide its companies with the necessary tools and measures to achieve an optimal balance between the performance of their operations and protection of the environment. With this aim in mind, it has set environmental performance goals, which are updated as circumstances change in the different business areas.

**These goals are:**

- ▶ Minimise the environmental impact of its operations by constantly implementing new initiatives to reduce pollution, make a rational use of resources, reduce the consumption of water, paper and energy, reduce the generation of waste and emissions and seek environment-friendly solutions.
- ▶ Develop and progressively implement an Environmental Management System compliant with UNE-EN-ISO 14001:2004 or, as the case may be, introduce environmental management practices that improve its production practices.
- ▶ Provide environmental awareness and training programmes for the company's employees.
- ▶ See that its companies comply with the environmental laws and regulations applicable to their respective operations.
- ▶ Collaborate with the authorities in programmes designed to restore the environment or improve biodiversity in any of the company's former production areas.
- ▶ Promote good environmental practices among its suppliers and customers, including them in Ebro's commitment in this regard through communication of its Code of Conduct.
- ▶ Whenever this may be considered necessary, have internal and external environmental performance assessments made.

Moreover, in an effort to ensure meeting the reduction, recycling and recovery targets set in the Packaging Waste and Packaging Act 11/97 of 24 April, the Spanish subsidiary Herba is a member of Ecoembalajes España S.A. (Ecoembes), a non-profit company whose mission is to design and develop systems for selective collection and recovery of used packaging and packaging waste. Ecoembes uses the Green Spot concept (this symbol appears on the packaging) to show that the packager of the product has paid a sum of money for each container or other form of packaging put on the market.

The European rice companies and the head offices of Ebro Foods have also signed an agreement with companies similar to Ecoembes for the destruction of paper and other data carriers. Apart from complying with

the Data Protection Act, this agreement guarantees a sustainable management of documents by virtue of those companies' commitment to recycling.

In 2011, the company invested more than two and a half million euro in implementing enhancements to minimise its impact on the environment. These enhancements mainly consisted of optimising the cooling systems, installing new compressed air systems, using new LED lighting systems, buying high energy-efficient engines and optimising the dust particle aspiration systems.

None of the Group's companies received any penalty during the year for breaching the environmental laws. Several companies have taken out third party liability insurance covering damage to third parties caused by sudden, unintentional, accidental pollution, considering that insurance to cover any possible risk in this regard.



The environmental information considered relevant to measure the Group's environmental performance is that corresponding to the Group companies that engage in production and, therefore, have a given impact on the environment.

Those companies are: Herba Ricemills S.L.U. (Spain), Riviana Foods Inc. (USA), New World Pasta Company (USA and Canada), American Rice Inc. (USA), Panzani, S.A.S. (France), Lustucru Frais, S.A.S. (France), Birkel Teigwaren GMBH and Euryza GMBH (Germany), Danrice A/S (Denmark), Lassie, B.V. (Netherlands), S&B Herba Foods, Ltd (UK), Arrozeiras Mundiarroz, S.A. (Portugal), Boost Nutrition, C.V. (Belgium), Herba Egypt Ricemills, Ltd. (Egypt), Mundiriz, S.A. (Morocco) and Herba Bangkok, S.L. (Thailand).

It is important to mention that none of the Group companies has own or leased operating facilities adjacent to, containing or located within protected areas or unprotected areas of considerable value for biodiversity.

#### ENVIRONMENTAL MANAGEMENT EXPENDITURE

Total expenditure (€)	2,536,469
Prevention and management	194,839
Waste and emissions management	2,178,986

#### ENERGY CONSUMPTION

<b>Total direct energy consumption (GJ)</b>	<b>2,501,817</b>
Natural Gas (GJ)	2,411,095
Biomass (GJ)	47,455
<b>Total indirect energy consumption (GJ)</b>	<b>1,209,696</b>
Electricity (GJ)	1,100,851
Steam (GJ)	108,845

#### WATER CONSUMPTION

<b>Total consumption (m³)</b>	<b>2,104,387</b>
Surface water (m³)	5,000
Ground water (m³)	273,953
Water from mains (m³)	1,825,440

**NB:** no water source is significantly affected by the intake of water by the organisation.

## ENVIRONMENTAL PERFORMANCE INDICATORS

## WASTE AND EFFLUENT MANAGEMENT

<b>Waste production</b>	
<b>Total waste (tn)</b>	<b>14,288</b>
Non-hazardous (tn)	14,261
Hazardous (tn)	27
<b>Waste management</b>	
Landfills (tn)	3,580
Compost (tn)	6,193
Recycling (tn)	2,819

**NB:** no body of water is significantly affected by effluent discharged by the organisation.

## GREENHOUSE GAS EMISSIONS

<b>Total GHG emissions (tn CO<sub>2</sub>-eq)</b>	<b>173,002</b>
Direct emissions (TN CO <sub>2</sub> -eq)	139,776
Indirect emissions (TN CO <sub>2</sub> -eq)	33,226

## EMISSIONS

NOx (tn)	71
SOx (tn)	3
VOC (tn)	16
Particles (tn)	37

## Environmental management programmes and certificates

The workplaces certified so far under Standard UNE-EN-ISO 14001 are:

Company	Country	Name of workplace	Certificates
Panzani	France	Semolina Gennevilliers	ISO 14001
Panzani	France	Semolina Marseille Littoral	ISO 14001
Panzani	France	Semolina Marseille St. Just	ISO 14001

The Ebro companies in the USA operate under the following American specifications:

1. Title V Federal Operating Permit
2. General Permit to Dispose of Waste
3. Storm Water Multi-Sector General Permit
4. Air Permit
5. National Pollutant Discharge Elimination System (NPDES)



## Introduction

Within the Restructuring Plan for the Guadalquivir (Cádiz) factory, closed in 2007 as a result of the entry into force of the new sugar CMO, the Group has taken major environmental action to restore the landscape of the settling ponds, which covered an area of 36 hectares at the location called Mesas de Asta.

When the settling ponds were built, that land had been dried out and converted into agricultural land, but they had formerly been an arm of the Guadalquivir Estuary, which had flooded and created a vast marsh. That was the parameter taken into account for restoring the land of the ponds, undertaking an ambitious project with enormous environmental value: the recovery and creation of a wetland called Marisma de las Mesas de Asta.

## The project

The project aims to create a single space with an aquatic, functional, diverse ecosystem for birds.

The work on this project has been done and financed entirely by the Ebro Foods Group, in close collaboration with and receiving counselling from the Cadiz Provincial Environmental Authority.

The work consisted of:

- ▶ Emptying and drying the industrial waters from the ponds owing to the high level of salinity produced in the settling process.
- ▶ Removal of the salt layer and sludge from the bottom to guarantee the quality of the new water for settling of birds.
- ▶ Dismantling and pulling-up of walls, ramps and roads to increase the area of the habitat with a larger stretch of water.
- ▶ Creation of a set of islands within the area to improve their habitat, adapting to the needs of the different species.
- ▶ Installation of concrete flumes connected with the canal to guarantee the water supply.
- ▶ Shaping of new slopes, building peripheral canals to control predators

## IMPORTANT ENVIRONMENTAL ACTION TAKEN IN 2011



The wetlands have become one of the most important non-coastal enclaves for shorebird nesting. There has been a spectacular increase in both the number of species and the number of birds.

## Results

From the point of view of biodiversity, the results can be rated as an absolute success for waterfowl, with a spectacular increase in both richness (number of species) and abundance (number of birds). The number of mating couples, counted in spring, rose from 99 in 2005 to 1,485 in 2011, after creation of the wetland. As for wintering, the number of birds migrating to Spain from the cold northern European countries has increased from 1,243 to 4,912 in 2011.

Numerous species now use and are settled at the Mesas de Asta March wetlands.

The most important wintering species are: the marbled teal, the fish eagle, the marsh harrier, the kentish plover, the flamingo, the shelduck, the crane, the avocet, the lapwing, the golden plover, the shoveler, the mallard, the pintail, the ringed plover and the coot.

Of these species, all classified as species of special interest in Act 8/2003, the marbled teal is especially significant as it is classed, both in that Act and in the national catalogue of endangered species, as a listed endangered species. This aspect has been reflected in the international forums of the year because it is the most endangered species in Europe: there are only 390 couples left and a dozen of them are being bred at the Mesas de Asta marsh.

In reproduction, the wetlands have also become one of the largest mating colonies of the gull-billed tern in the entire Mediterranean area, since in the 2011 census over one thousand couples were counted.

Therefore, as mentioned in the recent publication of no. 313 of the journal *Quercus*, specialising in the observation, study and defence of nature, the Marismas de Mesas de Asta wetlands are one of the most important non-coastal enclaves for shorebird nesting in the province of Cadiz.

Consequently, owing to the environmental importance of these wetlands, a Collaboration Agreement has recently been signed with the Environment Department of the Andalusian Regional Government for their development, and from now on that authority will be responsible for their conservation and maintenance and will be competent to take any actions it may consider convenient within its "Programme for the conservation of shorebirds in Andalusia".





05

**SUSTAINABILITY REPORT 2011**

SOCIAL PERFORMANCE

**OUR HUMAN  
CAPITAL**

The main aim of Ebro Foods in labour is to have an adequate employment relationship framework, which offers its professionals stable, quality employment, making them feel part of the organisation, favouring their career development, promoting equal opportunities and non-discrimination and, in short, creating a climate of industrial peace.

Apart from the corporate policies specifically implemented in some of the Group companies, there is a Code of Conduct which not only guarantees ethical, responsible conduct by the professionals of all the Ebro Foods companies in their work, but also serves as a reference for defining the goals of the employment guarantees and policy, health and safety at work, training and the principles for securing non-discrimination, diversity and equal opportunities in access to employment, without prejudice to the provisions of the collective agreements applicable to the Group companies.



## OUR HUMAN CAPITAL

The information provided in this section corresponds to all the companies in the Ebro Foods Group except its subsidiaries Mundiriso (Italy) and Boost Nutrition (Belgium), since their information was not available at the date of preparing this report.

In some of these indicators we have reported on the entire workforce (own employees and contracted personnel) and in others we have only reported on our own employees, owing to the objective difficulty of interpreting and reliably consolidating the information provided by some of the companies in the Group in respect of their contracted personnel. This was mainly due to the difference in legal and labour concepts in the different countries in which the Group operates. We shall improve this aspect in the future.

**Distribution of total headcount (own employees + contracted personnel) by business area**

Rice division	2,335
Pasta division	2,133
Holding	62
<b>Total</b>	<b>4,530</b>

**Distribution of total headcount (own employees + contracted personnel) by geographical area**

Europe	2,623
USA	1,673
Africa	158
Asia	76
<b>Total</b>	<b>4,530</b>

**Distribution of total headcount (own employees + contracted personnel) by age, nationality and disability**

	<b>%</b>
Percentage of workforce aged under 30	11.07%
Percentage of workforce aged between 30 and 50	54.67%
Percentage of workforce aged over 50	34.25%
Percentage of employees with the same nationality as the company in which they work	96.96%
Percentage of employees with a different nationality from that of the company in which they work	3.04%
Percentage of disabled employees	2.15%

**NB:** Within the scope of placing the disabled in employment in Spain, the Group complies with the Social Integration of the Disabled Act. The different companies forming part of the group in 2011 collaborated in several programmes to assist in the training and integration of disabled workers in society and employment through the Ebro Foods Foundation for a value of €120,400, and directly with the special employment centres Intgraf, Afanias, Aprocor, Ibergrupo and Inserción Personal Discapacitado, S.L., contributing €97,733.86.

## LABOUR PERFORMANCE INDICATORS

#### Distribution of headcount (only own employees) by professional category

##### **POR CATEGORY**

	%
Executives	2.61%
Middle Management	13.50%
Administrative staff	19.29%
Auxiliary staff	0.68%
Sales representatives	4.22%
Other employees	59.69%

#### Men-women ratio (only own employees) by business area

##### **BUSINESS AREA**

	% Men	% Women
Rice Division	76.80%	23.20%
Pasta Division	68.70%	31.30%
Holding	60.60%	39.40%

#### Men-women ratio (only own employees) by category

	% Men	% Women
Executives	79.61%	20.39%
Middle Management	72.23%	27.77%
Administrative staff	49.31%	50.69%
Auxiliary staff	85.19%	18.52%
Sales representatives	71.77%	27.63%
Other employees	79.88%	20.12%
<b>Total</b>	<b>72.64%</b>	<b>27.36%</b>

#### Distribution of headcount (only own employees) by type and form of contract

##### **BY CONTRACT**

	%
Permanent	93.16%
Temporary	6.84%



### FORM OF CONTRACT

	%
Written contract (non-term)	92.40%
Written contract (temporary)	5.57%
Oral contract (permanent)	0.76%
Oral contract (temporary)	1.27%

**NB:** The employees with oral contracts are employed by Mundiriz, our subsidiary in Morocco, since in that country it is the most common form of contract. All the employees of that subsidiary are covered by a collective agreement.

### Number and percentage of employees who left their jobs during 2011, broken down by reason, age group and sex (own employees + contracted personnel)

Voluntarily	61
Dismissals/Redundancies	115
Others (expiry of contract, retirement, extended leave, etc.)	302
<b>Total</b>	<b>478</b>

Total percentage of employees who left their jobs	12.11 %
Percentage of male employees who left their jobs	8.83%
Percentage of female employees who left their jobs	3.28%
Percentage of employees under 30 who left their jobs	2.28%
Percentage of employees aged 30 - 50 who left their jobs	5.23%
Percentage of employees over 50 who left their jobs	4.60%

### Number and percentage of employees covered by collective agreements (only own employees)

Number of employees	%
2,528	64.05%

**NB:** In general, the collective agreements are applicable to all employees regardless of their form of contract, professional category or job performed. However, certain groups are expressly excluded from the scope of collective agreements by issues related with the business organisation, the laws of each country or even the customs and practice of each country.

### Average hours training a year and number and percentage of employees who have had access to training (only own employees)

Total Hours Training	No. employees	Average hours employee/year	% total employees who have received training
56,799	3,150	18.03	79.81 %

**NB:** The principal subject areas on which training has been given are: quality and environment, languages, information technologies, occupational hazard prevention and safety at work, development of commercial and marketing skills



## Welfare benefits

One of our main goals is to create stable, quality employment. Accordingly, our subsidiaries offer a broad range of welfare benefits, including, as appropriate, private medical insurance, life, accident and disability insurance, saving and retirement schemes, medical grants, meal and educational aids, study grants, etc.

No distinction is made between the welfare benefits available for part-time and full-time employees.

## Pay policy

More than 40% of the employees of different companies in the Ebro Foods Group are included in a variable remuneration scheme which bases the variable part of their annual salary on a number of collective (of the Group overall and the different business units) and job-specific objectives.

In addition, approximately 70 employees in Spain benefit from the payment-in-kind programme, whereby taxation of their salaries can be optimised through the receipt of certain benefits, such as medical insurance, company car, computers, nursery service or housing rent.

This pay policy includes the delivery of shares in Ebro Foods, S.A.: under current tax laws employees may receive up to 12,000 euro in company shares without considering them remuneration for the purpose of personal income tax. During 2011, 35 employees of different Group companies received shares in the company for an overall sum of 279,614.94 €.

**SOCIAL ACTION AND COMMUNITY  
DEVELOPMENT PROGRAMMES**

Among its priority objectives, Ebro aims to participate in initiatives that contribute towards the well-being of society, promote the socioeconomic development of the geographical areas in which it operates and, in short, improve people's quality of life, especially in the more vulnerable sectors.

The development of this social commitment is channelled mainly through the Ebro Foundation, through which the Group promotes and participates in solidarity initiatives to further the development and equal opportunities of the underprivileged segments of society, especially in the geographical areas with which Ebro has stronger ties.

The Ebro Foundation essentially acts in four different areas: donation of food, integration of the disabled into society and employment, cooperation for development in the third world and promotion of projects enabling socioeconomic development of the geographical areas in which the Group operates.

For the donation of food, the Foundation donated different Group products during the year to Spanish Federation of Food Banks (FESBAL), with a value, had they been sold on the market, of €150,000. The rice division in Spain also supported the social work of different soup kitchens, which have been overwhelmed with demand from the most needy.

In France, our subsidiary Riviana made donations of products for the value of over €40,000.

Our subsidiaries Riviana, New World Pasta and American Rice Inc. also made significant contributions to different local food banks in the United States and Canada, donating product valued at over \$870,000.

#### SPAIN

Food banks	159,137.60 €
Other entities	1,977.73 €
<b>Total</b>	<b>161,115.33€</b>

#### FRANCE

Food banks	44,649.00€
<b>Total</b>	<b>44,649.00 €</b>

#### NORTH AMERICA

Food banks	
American Rice Inc.	122,402.88
Riviana	583,711.86
Nwp	173,166.46
<b>Total \$</b>	<b>879,281.20</b>
<b>Total €</b>	<b>679,558.85</b>

To foster the integration of disabled persons in society and employment, the Foundation has started up projects with a value of €120,000 together with entities such as the Autism Association of Seville, Cáritas, Auxilia Foundation in Seville, Juan XXIII Foundation, Prodis Foundation and Down Syndrome Foundation of Madrid, among others.

The Foundation spent some €110,000 on collaborations with social organisations working to improve the quality of life of infants, the elderly and marginal groups in the geographical areas in which Ebro has stronger ties. Some of these projects were the Children's Hospital Virgen del Rocío, the Theodora Foundation, Mankind Project in Seville, Order of Malta, Balía Foundation, Tutelar Kyrios Foundation, etc.

In Seville, a province of Andalusia with which Ebro has strong ties through the location there of the headquarters and principal production facilities of its Spanish subsidiary Herba ([www.herba.es](http://www.herba.es)), the Foundation has collaborated in the development of the following programmes, among others:






- ▶ **Fitting out of the M<sup>a</sup> Ángeles el Vacie nursery:** providing furniture, fittings and household appliances for this nursery, for children aged 0-3 from the Seville shantytown El Vacie.
- ▶ **Financing of the new Children's Cancer Outpatient Unit at the Children's Hospital Virgen del Rocío in Seville:** The Foundation has continued its collaboration with this initiative promoted by the Andex Foundation for the second year.
- ▶ **Smile Doctors:** a project set up by the Theodora Foundation to alleviate the stay of sick children and their relatives in hospitals through laughter. Our collaboration consisted of bearing the cost of a Smile Doctor for the Hospital Virgen del Rocío in Seville every afternoon in 2011.
- ▶ **Mankind Project:** project to build a complex for the rehabilitation and reinsertion of drug addicts in society in Alcalá de Guadaira.
- ▶ **Financing of the work adapting the San Juan de Acre soup kitchen** run by the Order of Malta in the Macarena district.



- ▶ **Angel Rivière Day Centre:** in collaboration with the Autism Association of Seville, the Foundation has helped to finance the building of this centre for people with autistic spectrum disorder.
- ▶ **Continuation with the Transition to adult life and employment Project** run by Cáritas Seville through the San Pelayo Centre, which receives a total of 121 pupils with special educational needs. This project aims to improve the situation of these individuals, who tend to be isolated and shy away from social relations, favouring interaction with families through interviews, chats, informative publications, training and social networking.
- ▶ **Programme for initiation in employment and general training as supervised office auxiliaries for the disabled** promoted by the Auxilia Foundation in Seville with the aim of helping this segment to acquire habits of order, punctuality and responsibility, interpret instructions at work, use office machinery, apply elementary techniques of classification and filing, use and handle computer programmes (Office package) and gain confidence in their own capacity, their possibilities and motivate them for personal development.
- ▶ **Training and employment guidance programme for people with the Down syndrome and other mental disabilities,** set u by the Down Syndrome Association of Seville. This project aims to develop the social, personal and cognitive skills of its beneficiaries in order to boost their progress towards integration, giving them an opportunity to participate in specific employment programmes or to directly enter employment. The activities provided are training and job guidance, professional profile, attraction of companies, mediation for employment and visits.

In Madrid, where the Ebro Group has its registered office, some of the programmes promoted by the Foundation are:

- ▶ **Educational project for children in Tetouan,** promoted by the Balia Foundation, this programme aims at social and educational inclusion and consists mainly of providing educational support for 24 children aged 5-7 from broken or single-parent families or fostered. The goals pursued are to boost education in values, avoid failure at school, facilitate social inclusion and minimise abandonment and isolation, through group dynamics, handicrafts workshops, sports activities, computing workshops, cookery classes, trips within the town, etc.
- ▶ **Counselling for the individual and legal protection of people with borderline intelligence or mental retardation and their families,** promoted by the Tutelar Kyrios Foundation within the new concept defined by the Human Rights Convention on the Rights of Disabled Persons and taking Spanish laws into account. They provide information on the mechanisms that guarantee the right to protection of persons with borderline intelligence or mental retardation, support for maintaining their legal capacity and support for the families and persons whose specific needs make it necessary to begin the procedure for incapacitation.

-  **Neurostimulation programme** directed by the Vianorte–Laguna Foundation, a pioneer project for those in a mild phase of dementia in a new area within the Hospital for Palliative Care.
-  **Continuation with support a child with cerebral palsy** developed by the Bobath Foundation. The Ebro Foundation finances an integral treatment programme embracing each and all of the needs and difficulties of the child with a view to modifying them to achieve a more functional capacity. This entails the application of essential or necessary specific techniques to improve sensory motor, intellectual, emotional and social activity. The support programme also guarantees continuity of the child's education and evolution in learning.
-  **“Professionalizing Disability” Programme** of the Juan XXIII Foundation, based on the model of integration into employment backed by this Foundation, although with certain modifications, since this process will cover all the phases of integration in society and employment for persons with intellectual disability. These phases are: school of permanent vocational training, employment with support, work experience in business, employment agency and counselling for business.
-  **Continuation with the “Pro-Mentor Programme”** developed by the Prodis Foundation; we started collaborating in 2007 in this training programme, together with the Autonomous University, for the integration of young mentally disabled in employment. This programme aims to train young people aged 18-30 for two years in auxiliary administrative work and then provide permanent supervision of the newly employed in their jobs through a labour mediator, a person who deals with their on-the-job training, monitoring and constant guidance throughout their working life.
-  **Continuation with the “Stela Project”** run by the Madrid Down Syndrome Foundation; we have not been collaborating for six years in this project, which aims to incorporate disabled persons in society and employment in three stages: a job training scheme, on-the-job training and, finally, monitoring in employment. It is based on the method of assisted employment, a structured, systematic system of training on the job, which enables the intellectually disabled to acquire the skills, abilities and knowledge required by their jobs.

Moreover, to promote projects in the third world and developing countries with which Ebro has any connection, the Foundation has worked in 2011 with the NGOs Africa Direct and Codespa, assigning €110,000 to projects designed to improve agricultural efficiency and food safety in Alinafe, Mtendere, Atupele, Tanzania, Uganda, Ethiopia, Cameroon and Vietnam.



In Vietnam, one of the largest rice exporting countries in the world and, as such, one of the company's commodity suppliers, the Foundation has been working for two years now with the NGO Codespa on the project *Improvement of rural community living conditions by promoting healthy conditions and through training and informing on efficient, environment-friendly agricultural techniques. This programme promotes fertilizer deep placement (FDP)*, a new fertilization technology within reach of rice producers with smaller economic resources. The benefits of using this fertilizer are:

- ▶ Increase in agricultural production and, therefore, surplus to be sold.
- ▶ Improvement in quality of life: fewer days' work in the fields, since it is applied only once, whereas traditional fertilizers require 4 applications.
- ▶ Smaller cost: although the cost/kg is greater, a smaller quantity is used so the final cost is lower.
- ▶ Less pollution: a smaller quantity is used, so the soil suffers less and, since it is put deep into the land, it is not washed away when it rains.

The Yên Bái Women's Union is the main organiser of the project, through its Women's Union Training Centre in Yên Bái; the international NGO International Development Enterprises (IDE) provides technical assistance for development of the market and local training; the Agricultural University of Hanoi has provided technical counselling in FDP technology and adaptation; the Agriculture and Rural Development Department has developed the quality control policy and technical procedures for application of FDP; the Agricultural Extension Station has provided technical training for the application of FDP and Codespa has coordinated the alliance of institutions, with a prominent leadership in the processes of design, monitoring and continuous assessment of the project.

From the outset the project provided training for the local organisations and government extension services to guarantee permanent access to information and technical assistance for peasant families, placing special emphasis on improving production techniques. The quality control policies and FDP procedures were introduced to guarantee consistent quality, which would generate confidence in the product among peasant families.

Taking responsibility for the supply and demand of adequate goods and services for retail peasant families, the project is building up an FDP market for the poverty-stricken peasant community in Yên Bái, enabling farmers and small landowners to develop their businesses and build up sufficient means to gradually pull out of their poverty.

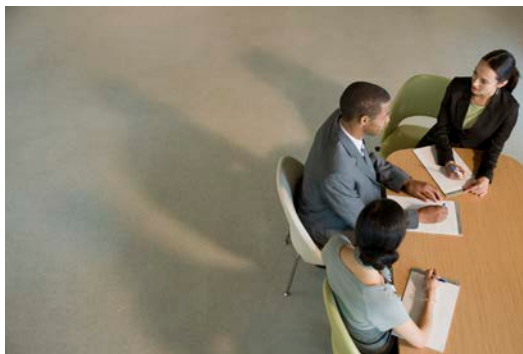
FDP is a production process, not just a capsule of compact fertilizers, or even an agricultural technique, but a full cycle of decisions, which includes market information, household investment, training in use, application on terraces, control of water and plagues, and harvesting, collecting precise information that can be useful to assess the impact of the project.

In this regard, an information and training plan has been designed, hiring rice terraces during the weeks prior to harvesting, where a group of promoters within a commune receives theoretical and practical training in the use of FDP, household training techniques and marketing tools to be able to efficiently promote the project and information on the market (distribution channels, prices, guarantees, after-sales assistance, etc.).

These terraces, known as “teaching terraces”, are set up as training centres and, at the same time, information points on the project within the commune, where the promoters learn and the peasants can go to find out more about FDP and its benefits.

This specific training plan has already started to bear fruit, since considering that the action began in early 2011 the results are better than expected (the bases of the market are laid in pioneer households which will act as an example demonstrating the results in the future rice harvests of 2012 and 2013).

In the province of Yên Bái, where Codespa had already reached a total of 40,000 households benefitting from the FDP project in the flat districts, a further 600 households were recently included in the market in the Mu Cang Chai and Tram Tau districts, inhabited by the most isolated families, using the most archaic farming techniques and the least modern cultural practices. The results achieved are extremely important because getting 600 H'Mong<sup>2</sup> households (the ethnic





minority predominant in Mu Cang Chai) to increase their harvests by 30% is much more significant than achieving a larger number in less under privileged districts, where most households have already come out of the most severe poverty levels.

The Ebro Foundation started working with Codespa in 2008. At first, it backed a project in Larache (Morocco) that provided vocational training for young people aged 16-25 in the tourism sector and the project "Business, technological and micro financial development of rice-producing peasants" in Vietnam. This project promoted a decentralised model of small-scale compact fertilizer production through small local enterprises. The Foundation started working with them in Vietnam again in 2010 with the aim of generating employment and income in the rice sector under a model of public promotion and private provision of agrotechnical services.

Apart from these projects, the Foundation has also continued working in 2011 in Africa, collaborating with the NGO Africa Direct.

In Alinafe, for example, the Foundation has continued collaborating with the Agricultural Office, which aims mainly to support the vulnerable groups and communities detected (disabled, orphans, seropositive, etc.) to manage their agricultural resources with a view to making them self-sufficient. It has also worked at the Alifafe Nutrition Centre and financed some micro credits for agricultural training of the disabled.

In Alinafe, Mtendere, Angola and Cameroon a humanised milk programme has been run to avoid infection with AIDS during breast-feeding.

In Mtendere, the Foundation continued with the "Food Security" programme, an agricultural and food safety project with two goals: on the one hand, assist the more vulnerable groups, and on the other, promote ecological, sustainable agriculture by starting up an irrigated market garden to provide food for the community's nutrition centre and seropositive patients.

In Tanzania, an agricultural project has been started up in Himo, Tanzania to guarantee food for the children at a nursery.

In Uganda, it collaborates in an agroforestry programme in Kenjojo to reafforest the villages in that region, increase public awareness of the need to respect the environment, teach them responsible farming techniques and lay the bases for a new long-term planning concept as the basic tool for eliminating poverty in the area.

In Cameroon, the Foundation has collaborated with the project to supply water to the Dschang hospital, which serves a population of approximately 50,000 people.

The full contents of all the projects developed by the Foundation and the goals reached can be consulted on its website: <http://www.fundacionebrofoods.es>



**PRODUCT RESPONSIBILITY:  
FOOD SAFETY AND QUALITY**

One of the basic pillars in the Ebro Foods management is to provide society in general and our customers and consumers in particular with top quality and food safety. The Group has a Food Safety and Quality Policy, which is supplemented with the specific policies of our subsidiaries.

### Corporate Food Safety and Quality Policy

This policy is based on the permanently integrated action of our entire organisation to achieve continuous improvement of our company, especially in the following aspects:

1. Definition, development and implementation of a Food Safety and Quality System complying with the requirements of Standard UNE-EN-ISO 9001:2000 (or similar, depending on the country in which the respective company operates), certified by an ENAC authorised body.
2. Training and promoting awareness of all company employees in the aspects of food safety and quality management required by their work and our organisation.
3. Setting and revising of quality targets to enable continuous improvement in this area, providing the necessary financial and operational resources.
4. Monitoring of the objectives and performance of preventive and remedial actions required from time to time by prevailing circumstances.
5. Encouragement of the company's suppliers to adopt similar principles to those set out above, cooperating with them to put them into practice.



6. Adoption of approval measures and quality programmes arranged with customers to ensure their satisfaction.
7. Ensuring health and safety in our customers, respecting the most stringent food safety standards.
8. Compliance with prevailing laws and regulations on product labelling.
9. Publishing of transparent, true marketing communications, complying with advertising self-regulation codes.
10. Preservation of the confidentiality of personal data of our customers, in pursuance of the data protection laws in place from time to time.

### Implementation of Food Safety and Quality Control Systems

We use the most advanced quality control systems to guarantee the quality and safety of the food we offer our consumers:

- ▶ **Good Manufacturing Practices (GMP):** contemplating good practices for the handling, packaging, storage and carriage of fresh products.
- ▶ **Hazard Analysis and Critical Control Point (HACCP):** a system for identification and control of the possible problems that may come to light during the design and production processes.
- ▶ **Quality Assurance Standards:** such as the standards established by the International Organisation for Standardization (ISO 9001:2000, ISO 9001:2008 and ISO 22000), the International Food Standards (IFS), which, structured in line with ISO 9001:2000, are among the highest distinctions in Food Safety in all distribution sectors in Europe, the BRC (British Retail Consortium) certification, one of the internationally most widespread models for distributors and large retail outlets to rate their brand product suppliers, and finally, the Danish DS standards (Danish HACCP Code), for developing an HACCP system in the food industry and in the manufacturing of packing and packaging for food products. The effectiveness of these programmes is regularly assessed by independent experts.

One new ISO certification was obtained in 2011 for the Herba Egypt plant (ISO 9001:2008) and our companies in North America, Riviana and New World Pasta, have also begun to align their food safety and quality programmes with the Global Food Safety Initiative (GFSI), a global standard comprising the following international standards: BRC, IFS, Dutch HACCP and the Safe Quality Food Programme (SQF). The Winchester and St. Louis obtained SQF certification in 2011.

COMPANY	COUNTRY	NAME OF WORKPLACE	CERTIFICATES
Arrozeiras Mundiarroz.	Portugal	Coruche	ISO 9001 ISO 22000
Birkel	Germany	Mannheim	ISO 9001 IFS
Birkel	Germany	Waiblingen	Organic Distribution
Boost Nutrition	Belgium	Merksem	BRC IFS KOSHER Fairtrade Certification Organic Certification
Danrice	Denmark	Orbaek	BRC ISO 22000
Euryza	Germany	Hamburgo	IFS GMP
Herba Bangkok	Thailand	Bangkok	ISO 9001
Herba Egypt	Egypt	Beni-Suef	ISO 22000
Herba Ricemills	Spain	Coria del Río	ISO 9001
Herba Ricemills	Spain	San Juan de Aznalfarache (Pre-cooked foods plant and Rice plant)	ISO 9001 BRC IFS
Herba Ricemills	Spain	Aldea	ISO 22000 BRC
Herba Ricemills	Spain	Jerez de la Frontera (Pre-cooked foods plant)	ISO 9001 BRC IFS
Herba Ricemills	Spain	Silla	ISO 9001 BRC IFS
Herba Ricemills	Spain	Algemesí (Pre-cooked foods plant)	ISO 9001 BRC
Herba Ricemills	Spain	Algemesí (Rice plant)	ISO 9001
Lassie	Netherlands	Wormer	BRC SKAL
Mundiriso	Italy	Vercelli	IFS BRC ISO 22000
Panzani	France	La Montre	ISO 9001 IFS
Panzani	France	"St Genis Laval (Fresh pasta plant)	ISO 9001 IFS
Panzani	France	"Weaehouse (Fresh pasta plant)	ISO 9001 IFS
Panzani	France	"Lorette (Fresh pasta plant)	ISO 9001 IFS
Panzani	France	Nanterre	ISO 9001 IFS
Panzani	Francia	Vitrolles	IFS
Riviana Foods	Usa	Memphis	SQF
Riviana Foods	Usa	Brinkley	SQF
Riviana Foods	Usa	Clearbrook	SQF
Riviana Foods	Usa	Carlisle	SQF
S&B Herba Foods	United Kingdom	Liverpool	BRC KOSHER
S&B Herba Foods	United Kingdom	Orpington	BRC KOSHER

## Product Responsibility Performance Indicators

### Phases of the product life cycle in which their impact on customer health and safety is assessed

	YES	NO
Design of the product	X	
R+D	X	
Certification	X	
Manufacturing & production	X	
Marketing & promotion	X	
Storage, distribution & supply	X	
Use and service	X	
Elimination, reuse and recycling	X	

**NB:** All products put on the market by the different subsidiaries are subject to these assessment procedures.

### Total number of incidents deriving from breach of legal regulation or voluntary codes regarding the impact of products on health and safety during their life cycle

None of the Group companies has breached any laws, regulations or codes during 2011 so no incidents have been recorded in this area.

### Type of information provided by the company on all its products, based on its information and labelling procedures

- ▶ **Source of the product components:** all the Group companies except the subsidiaries Birkel Teigwaren GMBH (Germany) and Lassie, B.V. (Netherlands).
- ▶ **Contents, especially regarding substances with a potential environmental or social impact:** all the Group companies except Arrozeiras Mundiarroz, S.A. (Portugal), Birkel Teigwaren GMBH (Germany), Lassie, B.V. (Netherlands), Herba Ricemills, S.L.U. (Spain) and S&B Herba Foods, Ltd (UK).
- ▶ **Safe use of the product:** all the Group companies except Herba Ricemills, S.L.U. (Spain), Lassie, B.V. (Netherlands) and Panzani, S.A.S (France).
- ▶ **How to eliminate the product and its environmental or social impact:** all the Group companies except Birkel Teigwaren GMBH (Germany), Lassie, B.V. (Netherlands) and S&B Herba Foods, Ltd (UK).

### Total number of breaches of the regulations and voluntary codes regarding product information and labelling

Four breaches were recorded in 2011, two in Herba Egypt Ricemills, Ltd. (Egypt), with a warning, and two in Ebro North America, for infringement of voluntary codes, with no penalty, fine or warning.

### **Customer satisfaction practices**

All the Group companies except S&B Herba Foods, Ltd (UK) do customer satisfaction surveys once or twice a year and have established communication channels with their customers via e-mail, questionnaires, website, telephone, etc.

### **Total number of incidents deriving from breach of regulations concerning marketing communications, including advertising, promotion and sponsorship**

None of the Group companies has breached any such regulations during 2011 so no incidents have been recorded in this area.

### **Customer Services**

Two important aspects of the Ebro Foods philosophy are our total vocation to customer service and our awareness that each customer is unique. Customers are the basis of our growth and their full attention and service is perceived as the road to be followed to secure constant improvement. Accordingly, our customer services section must essentially listen to their complaints and suggestions, duly respond to all their queries and questions and guarantee fulfilment of their rights, with the prime objective of securing their total satisfaction.

The packaging of all the Ebro Group products provide consumers with information on their nutritional properties, along with the physical address of the company and, where appropriate, its website, e-mail and telephone number.

The different customer services departments collect data and generate information for the quality system. Demands are met by telephone or e-mail, according to the details given by the customer. A case file is opened for each incident and reported internally to the Quality Department, which checks and monitors the relevant quality system in case of error, and takes the necessary measures to offer a solution.

As a rule, we follow up all claims by telephone to check consumer satisfaction.

We regularly conduct statistical monitoring of all complaints and proposals for improvement made by our consumers, discussing them at the different Management Committee meetings held every month within each company.

### **Number of communications made with customers in 2011:**

The different Group companies received and answered a total of 86,390 consultations from customers and consumers in 2011, 36,489 of which were complaints and claims and the remaining 49,901 were pure consultations regarding products.





**Participation in food-related events (conferences, forums, talks, publications, etc.)**

Some of the activities in which the Group has participated through its subsidiaries are:

- ▶ 2011 edition of the Anuga Fair ([www.anuga.com](http://www.anuga.com)).
- ▶ Annual food safety summit held Washington.
- ▶ Incorporation on the Brillante® website of a nutrition blog written by Victoria Maestre, PhD in pharmacy from the University of Seville with a diploma in Applied Nutrition and Food awarded by the National School of Health of the Carlos III Health Institute. She writes on different types of diets and nutritional recommendations.
- ▶ Participation in the Bucharest Food Festival.





06

**SUSTAINABILITY REPORT 2011**  
CORPORATE GOVERNANCE



## **ANNUAL CORPORATE GOVERNANCE REPORT**

### **LISTED COMPANIES**

### **DETAILS OF ISSUER**

**YEAR ENDED: 31/12/2011**

**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	15,721,882	10.218
CORPORACIÓN ECONÓMICA DAMM, S.A.	14,850,000	0	9.651
SOCIEDAD ANÓNIMA DAMM	0	14,850,000	9.651
ALBA PARTICIPACIONES, S.A.	12,498,830	0	8.123
CORPORACIÓN FINANCIERA ALBA, S.A.	0	12,498,830	8.123
HISPAFOODS INVEST S.L.	10,600,210	0	6.889

Name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	Interest / total voting rights (%)
CASA GRANDE DE CARTAGENA, S.L.	5,193,290	0	3.375
LOLLAND, S.A.	0	5,193,290	3.375

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.	15,721,882	10.218
SOCIEDAD ANÓNIMA DAMM	CORPORACIÓN ECONÓMICA DAMM, S.A.	14,850,000	9.651
CORPORACIÓN FINANCIERA ALBA, S.A.	ALBA PARTICIPACIONES, S.A.	12,498,830	8.123
LOLLAND, S.A.	CASA GRANDE DE CARTAGENA, S.L.	5,193,290	3.375

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

Name of shareholder	Date of transaction	Description of the transaction
LOLLAND, S.A.	08/12/2011	Interest lowered to below 5% of the capital
CASA GRANDE DE CARTAGENA, S.L.	08/12/2011	Interest lowered to below 5% of the capital
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES	26/09/2011	Interest raised to over 10% 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
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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
JOSE BARREIRO SEOANE	3,083	0	0.002
ALIMENTOS Y ACEITES, S.A.	15,721,882	0	10.218
EUGENIO RUIZ-GÁLVEZ PRIEGO	153	0	0.000
FERNANDO CASTELLÓ CLEMENTE	2,284,750	0	1.485
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	13,588,347	10,600,210	15.721
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	300,000	1,707,007	1.304
JOSÉ NIETO DE LA CIERVA	8,880	0	0.006
LEOPOLDO DEL PINO Y CALVO-SOTELO	0	246,000	0.355
MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ	10	0	0.000
SOL DAURELLA COMADRÁN	0	1,307,367	0.850

Name of indirect holder of the interest	Through: Name of direct holder of the interest	Number of direct voting rights	% of total voting rights
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	HISPAFOODS INVEST, S.L.	10,600,210	6.889
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	LA FUENTE SALADA, S.L.	1,307,007	0.849
SOL DAURELLA COMADRÁN	BEGINDAU, S.L.	1,227,617	0.798
LEOPOLDO DEL PINO Y CALVO-SOTELO	SWIFT INVERSIONES SICAV, S.A.	254,000	0.355
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	MENDIBEA 2002, S.L.	400,000	0.260
SOL DAURELLA COMADRÁN	SURFUP SICAV, S.A.	79,350	0.052

Total % of voting rights held by board members	29.940
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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:**

LOLLAND, S.A. HOLDS AN INDIRECT INTEREST OF 100% IN CASA GRANDE DE CARTAGENA, S.L.

Name of related parties
LOLLAND, S.A.

**Type of relationship:**

Corporate

**Brief description:**

INSTITUTO HISPÁNICO DEL ARROZ, S.A. HOLDS 100% OF HISPAGRO 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 (%)
3,384,094	0	2.199

(\*) Through:

<b>Total</b>	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
17/08/2011	3,279,065	0	2.131

<b>Gain/(loss) obtained during the year on trading in own shares (thousand euro)</b>	768
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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.

This authorisation rendered null and void the authorisation granted to the Board at the General Meeting held on 1 June 2010.

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:

<b>Maximum number of directors</b>	15
<b>Minimum number of directors</b>	7

B.1.2. Give details of the board members:

<b>Name of director</b>	<b>Representative</b>	<b>Position on Board</b>	<b>Date first appointment</b>	<b>Date latest appointment</b>	<b>Election procedure</b>
ANTONIO HERNÁNDEZ CALLEJAS	–	CHAIRMAN	01/01/2002	01/06/2010	VOTE AT AGM
JOSÉ BARREIRO SEOANE	–	VICE-CHAIRMAN	31/05/2005	01/06/2010	VOTE AT AGM

Name of director	Representative	Position on Board	Date first appointment	Date latest appointment	Election procedure
ALIMENTOS Y ACEITES, S.A.	FRANCISCO BALLESTEROS PINTO	DIRECTOR	23/07/2004	01/06/2010	VOTE AT AGM
DEMETRIO CARCELLER ARCE	—	DIRECTOR	01/06/2010	01/06/2010	VOTE AT AGM
EUGENIO RUIZ-GÁLVEZ PRIEGO	—	DIRECTOR	25/07/2000	01/06/2010	VOTE AT AGM
FERNANDO CASTELLÓ CLEMENTE	—	DIRECTOR	13/12/2000	01/06/2010	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	13/12/2000	01/06/2010	VOTE AT AGM
JOSÉ NIETO DE LA CIERVA	--	DIRECTOR	29/09/2010	15/06/2011	VOTE AT AGM
LEOPOLDO DEL PINO Y CALVO-SOTELO	—	DIRECTOR	01/06/2010	01/06/2010	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>	13
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Indicate any retirements from the board during the year:

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

Total number of executive directors	1
% of board	7.692

#### NON-EXECUTIVE PROPRIETARY DIRECTORS

Name of Director	Committee proposing appointment	Name of significant shareholder represented or that proposed appointment
ALIMENTOS Y ACEITES, S.A.	NOMINATION AND REMUNERATION COMMITTEE	SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES
DEMETRIO CARCELLER ARCE	NOMINATION AND REMUNERATION COMMITTEE	SOCIEDAD ANÓNIMA DAMM
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.
LEOPOLDO DEL PINO Y CALVO-SOTELO	NOMINATION AND REMUNERATION COMMITTEE	LOLLAND, 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>	<b>7</b>
<b>% of board</b>	<b>53.846</b>

#### NON-EXECUTIVE INDEPENDENT DIRECTORS

##### **Name of Director**

JOSÉ BARREIRO SEOANE

##### **Profile**

Born in El Ferrol (La Coruña). Agricultural Engineer with B.A. in Commercial Management and Marketing (ESIC). Former Councillor for Agriculture in the Spain Mission to the World Trade Organisation and Secretary General of the Ministry of Agriculture, Food and Fisheries. Has held other important positions in different national and international organisations related with agriculture, food and fisheries.

##### **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**

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>	<b>4</b>
<b>% of board</b>	<b>30.769</b>

#### OTHER NON-EXECUTIVE DIRECTORS

Name of Director	Committee proposing appointment
EUGENIO RUIZ-GÁLVEZ PRIEGO	NOMINATION AND REMUNERATION COMMITTEE

Total number of independent directors	1
% of board	7.692

State 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 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.

NO



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	TRUSTED
ANTONIO HERNÁNDEZ CALLEJAS	HEAP COMET LIMITED	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
ANTONIO HERNÁNDEZ CALLEJAS	SB HERBA FOODS LIMITED	DIRECTOR

Name of director	Name of Group company	Position
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	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 2
EUGENIO RUIZ-GÁLVEZ PRIEGO	CORPORACIÓN FINANCIERA ALBA, S.A.	DIRECTOR
EUGENIO RUIZ-GÁLVEZ PRIEGO	PROSEGUR, COMPAÑÍA DE SEGURIDAD, S.A.	DIRECTOR
JOSÉ NIETO DE LA CIERVA	CORPORACIÓN FINANCIERA ALBA, S.A.	DIRECTOR
LEOPOLDO DEL PINO Y CALVO-SOTELO	FERROVIAL, S.A.	DIRECTOR
SOL DAURELLA COMADRÁN	BANCO DE SABADELL, S.A.	DIRECTOR
SOL DAURELLA COMADRÁN	ACCIONA, 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:

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

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

a) In the Company issuing this report:

Emoluments	Thousand euro
Fixed remuneration	681
Variable remuneration	650
Attendance fees	297
Emoluments stipulated in articles of association	2,565
Stock options, over shares and/or other financial instruments	0
Others	0

<b>Total</b>	4,193
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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>
Fixed remuneration	0
Variable remuneration	0
Attendance fees	51
Emoluments stipulated in articles of association	0
Stock options and/or other financial instruments	0
Others	0

<b>Total</b>	51
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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

Other Benefits	Thousand euro
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	1,331	0
Non-executive proprietary	1,799	51
Non-executive independent	896	0
Other non-executive	167	0
<b>Total</b>	<b>4,193</b>	<b>51</b>

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

<b>Total directors' emoluments (thousand euro)</b>	4,244
<b>Total directors' emoluments / profit attributed to parent company (%)</b>	2.8

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
NICOLÁS BAUTISTA VALERO DE BERNABÉ	DEPUTY TO THE CHAIRMAN
ANA MARÍA ANTEQUERA PARDO	MANAGER COMMUNICATIONS
LEONARDO ÁLVAREZ ARIAS	MANAGER I.T.
FRANCISCO JAVIER LOZANO VALLEJO	FINANCE MANAGER
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 AUDIT & COMPLIANCE
PABLO ALBENDEA SOLÍS	MANAGER COORDINATION
MANUEL GONZÁLEZ DE LUNA	MANAGER INVESTOR RELATIONS

<b>Total remuneration top management (thousand euro)</b>	2,562
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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</p>

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

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, the amount of which shall be established every year by the general meeting.

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.

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.

On 29 February 2012, as proposed by the Nomination and Remuneration Committee, the Board resolved to set the share corresponding to the Chairman and executive directors in the 2011 profits at 2,565,454 euro and, consequently, to put to shareholders at the Annual General Meeting a proposal to apply 0.68% of the consolidated net profit attributed to the company in 2011 to such remuneration.

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 2011, 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 full Board has reserved approval of the following decisions:

<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 system, 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 the vote at the General Meeting, as a separate item on the agenda and with advisory status. 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>
1. Background 2. Internal regulations applicable 3. Remuneration policy for 2011 3.1 Share stipulated in articles of association 3.2 Attendance fees for meetings of corporate bodies 3.3 Executive directors 3.4 Supplementary life or retirement insurance 3.5 Summary chart 3.6 Details of individual remuneration earned by each of the directors (thousand euro) 4. Remuneration policy for future years 5. Other information



Role of the Remuneration Committee
Examined and issued a favourable report on the Report on the Directors' Remuneration Policy for 2011, to be submitted to the Board.

Was any external counselling used?	YES
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Identity of the external advisers
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	CORPORACIÓN ECONÓMICA DAMM, S.A.	CHAIRMAN
DEMETRIO CARCELLER ARCE	SOCIEDAD ANÓNIMA DAMM	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
LEOPOLDO DEL PINO Y CALVO-SOTELO	CASA GRANDE DE CARTAGENA, S.L.	DIRECTOR
LEOPOLDO DEL PINO Y CALVO-SOTELO	LOLLAND, 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**

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**

DEMETRIO CARCELLER ARCE

**Name of significant shareholder**

SOCIEDAD ANÓNIMA DAMM

**Description of relationship**

DEMETRIO CARCELLER ARCE HAS AN INDIRECT HOLDING OF 0.424% IN SOCIEDAD ANÓNIMA DAMM

**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**

LEOPOLDO DEL PINO Y CALVO-SOTELO

**Name of significant shareholder**

LOLLAND, S.A.

**Description of relationship**

LEOPOLDO DEL PINO Y CALVO-SOTELO HAS AN INDIRECT HOLDING OF 17.096% IN LOLLAND, S.A.

**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:**

NO

**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, 22, 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 for limiting risks
<p>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 of the Articles of Association creates the figure of a Vice-Chairman appointed from among the non-executive directors to boost the management supervision and control duties.</p> <p>In accordance with this provision, the current Vice-Chairman of the Board, José Barreiro Seoane, is an independent director and performs the aforesaid duties.</p>

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.</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.

Quorum	%
Quorum for attendance: two-thirds of the Board members	66.66

Majority	%
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

Matters on which there is a casting vote
All.

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

NO

Age limit Chairman	Age limit Managing Director	Age limit Director
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

Maximum number of years in office	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.

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

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>	12
<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>	7
<b>Number of meetings of the Nomination and Remuneration Committee</b>	3
<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:

<b>Number of absences of directors during the year</b>	0
<b>% absences to total votes during the year</b>	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.

<b>Appointment and removal procedure</b>



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 36.2 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, 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:

- Ensure that the systems used for preparing the separate and consolidated Annual Accounts and Directors' Report submitted to the Board to be drawn up in accordance with current legislation give a true and fair view of the equity, financial position and results of the Company, ensuring also that interim accounts are drawn up according to the same accounting principles as the annual accounts, considering the possibility, if appropriate, of requiring the external auditors to make a limited audit thereof.
- Have contacts with the 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 Auditors in accordance with prevailing auditing standards and legislation.

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)	35	353	388
Cost of work other than auditing / Total amount invoiced by the auditors (%)	14.460	25.070	23.510

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
<b>Number of years in succession</b>	3	3

	Company	Group
<b>Number of years audited by current auditors / Number of years that the company has been audited (%)</b>	13.0	13.0

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
DEMETRIO CARCELLER ARCE	DEOLEO, S.A.	0.001	DIRECTOR

Name of director	Name of company	% interest	Position or duties
INSTITUTO HISPANICO DEL ARROZ, S.A.	ISLASUR, S.A.	100.000	DIRECTOR
INSTITUTO HISPANICO DEL ARROZ, S.A.	PESQUERÍAS ISLA MAYOR, S.A.	100.000	DIRECTOR
INSTITUTO HISPANICO DEL ARROZ, S.A.	AUSTRALIAN COMMODITIES, S.A.	100.000	DIRECTOR
INSTITUTO HISPANICO DEL ARROZ, S.A.	MUNDIARROZ, 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 important.</p> <p>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.</p>

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 Corporate Enterprises Act s. 213, 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 section 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
ALIMENTOS Y ACEITES, S.A.	MEMBER	PROPRIETARY
DEMETRIO CARCELLER ARCE	MEMBER	PROPRIETARY
JOSÉ BARREIRO SEOANE	MEMBER	INDEPENDENT
LEOPOLDO DEL PINO Y CALVO-SOTELO	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 BARREIRO SEOANE	MEMBER	INDEPENDENT
MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ	MEMBER	PROPRIETARY
SOL DAURELLA COMADRÁN	MEMBER	INDEPENDENT

**STRATEGY AND INVESTMENT COMMITTEE**

<b>Name</b>	<b>Position</b>	<b>Type</b>
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
LEOPOLDO DEL PINO Y CALVO-SOTELO	MEMBER	PROPRIETARY

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

<b>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</b>	YES
<b>Regularly check the internal control and risk management systems, ensuring that the principal risks are adequately identified, managed and reported</b>	YES
<b>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</b>	YES
<b>Establish and supervise a "whistle-blowing" procedure so employees can confidentially or, where appropriate, even anonymously report any irregularities they observe in the company's conduct, particularly in financial and accounting aspects.</b>	YES
<b>Submit to the Board proposals for nomination, appointment, re-appointment and replacement of external auditor, and terms of engagement</b>	YES
<b>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</b>	YES
<b>Guarantee the independence of the external auditor</b>	YES
<b>In the case of groups, encourage the group auditor to audit the different companies in the group</b>	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 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 by order 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 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. c) Coordination with subsidiaries in the matters contemplated 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. This notwithstanding, the Company Secretary acts as Secretary of the Committee, with voice but no vote, issuing minutes of all resolutions adopted. The Committee appoints one of its members who is an independent director to be Chairman. 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. It informs in advance on 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 if any, General Manager and Company Secretary, 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, as well as the appointment and possible removal of senior officers and their contractual clauses regarding severance pay. c) Position of the company on the appointment and removal of members of the governing bodies of its subsidiaries. d) Proposal of directors' emoluments, in accordance with the rules on remuneration established in the Articles of Association and the relations of



executive directors with the company. The Committee must also inform in advance on any resolution or proposal of the Board on the remuneration of directors and executives indexed to the share price of the company or its subsidiaries, or consisting of the delivery of shares in the company or its subsidiaries or stock options. e) Preparation, if appropriate, of a proposal on the Statute of Senior Officers. f) Supervision of the Senior Management remuneration and incentives policy, being informed and informing also on the criteria followed by the company's subsidiaries. g) Assessment of the principles of the policy regarding the training, promotion and selection of management personnel in the parent company and its subsidiaries, where appropriate. h) Examination and organisation, howsoever may be considered appropriate, of the succession of the Chairman and CEO and, where appropriate, submission of proposals to the Board to ensure that the succession is made in an orderly, well-planned fashion. i) Proposal for the appointment of senior executives of the Company and determination of their terms of contract and remuneration, considering this to include any executives with a rank equal to or higher than Department Manager, being informed and informing also on the appointments and terms of contract of the senior executives of the company's subsidiaries.

#### **Name of committee**

EXECUTIVE COMMITTEE

#### **Brief description**

In addition to the Chairman and the Vice-Chairman, other Directors may 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 are appointed by the Board, which also specifies what powers are delegated to it, in accordance with the Articles of Association and the Regulations of the Board, 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 the Regulations are deemed delegated to this Committee on its creation, subject to the limits established from time to time in the recommendations on good corporate governance. The Chairman and Secretary of the Board hold the corresponding positions on the Executive Committee. The Executive Committee generally meets once a month. Its meetings may be attended by such members of 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 are submitted to the Board for ratification. This is also 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 merely submits the corresponding proposal to the Board. At the request of any of its members, the Directors will be informed at the first Board meeting following any meeting of the Executive Committee of all resolutions adopted by the latter since the previous Board meeting. Directors are granted access to the minutes of Executive Committee meetings whenever they so request of the Secretary of the Board. The Executive Committee has the following powers: a) Adopt resolutions corresponding to the powers delegated to it by the Board of Directors. b) Monitor and supervise the overall and day-to-day management of the Company, ensuring adequate coordination with the subsidiaries in the common interests of the latter and the company. c) Study and propose the guidelines defining the business strategy, supervising its implementation. d) Discuss and report to the Board on any matters related with the following business, regardless of whether or not they have been delegated by the Board: - Individual and consolidated annual budget of the company, specifying the amounts budgeted for each core business. - Monthly monitoring of the economic management, deviations from the budget and proposals for remedial measures, if necessary. - Significant material or financial investments and their corresponding economic justification. - Alliances and agreements with companies considered important for the company, by virtue of their amount or nature. - Financial transactions of economic importance for the company. - Programme of medium-term activities. - Assessment of the achievement of objectives by the different operating units of the company. - Monitoring and assessment of the aspects contemplated in d) in the subsidiaries. e) Adopt resolutions corresponding to the acquisition and disposal of treasury stock by the Company, in accordance with the authorisation granted by the General Meeting. A particular director may be appointed to execute and process decisions to buy or sell own shares, overseeing and, where necessary, authorising, provided it is

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lawful, any agreements that may be made by subsidiaries for the acquisition and disposal of own shares or shares in the company.

**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 company Articles of Association. The Board appoints one of the Committee members who are independent directors Chairman of this Committee, to be replaced every four years and becoming eligible for re-election one year after his retirement as such. The Chairman of the Board may attend the meetings of this Committee, with voice but no vote. In the absence of the Chairman, he is provisionally substituted by the Committee member so appointed by the Board, or otherwise by the oldest member of the Committee. The Company Secretary is Secretary of this Committee, with voice but no vote, issuing minutes of the resolutions adopted. The 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. The notice of call is issued by the Secretary of the Committee by order of the Chairman. Apart from the members, any company executive may be called to attend a committee meeting. Committee meetings are held at the registered office of the company, or wherever else the Chairman may indicate, specifying the venue in the notice of call, and are quorate when attended, in person or by proxy, by the majority of its members. Resolutions are adopted with the favourable votes of the majority of the members attending the meeting in question. 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: a) Be informed of the procedures and systems used for drawing up the financial information of the Company, supervising the services of the Internal Audit Department. b) 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. c) Ensure that the systems used for preparing the separate and consolidated Annual Accounts and Directors' Report submitted to the Board to be drawn up in accordance with current legislation give a true and fair view of the equity, financial position and results of the Company, making sure that interim accounts are drawn up according to the same accounting principles as the annual accounts, considering the possibility of requesting the external auditors to make a limited audit thereof. In this respect, it also sees that the internal control systems are adequate and effective in respect of the accounting practices and principles used for drawing up the annual accounts of the company, supervising the policies and procedures established for ensuring 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. d) Have contacts with the 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. e) Be informed of the decisions adopted by the senior management according to recommendations made by the External Auditors in connection with the audit. f) Inform the Board before the latter body adopts any decision regarding related-party transactions submitted for authorisation. g) Establish an internal "whistle-blowing" procedure so employees can confidentially report any potentially important irregularities. h) Supervise compliance with the internal codes of conduct and the rules on good corporate governance.

**Name of committee**

MANAGEMENT COMMITTEE

**Brief description**

The Board 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, chaired by the Chairman of the Board or the Managing Director, as the case may be. The Company Secretary is Secretary of this Committee. The Management Committee prepares and follows up decisions within the management of the Company, regarding strategy, budget, finance and personnel, draws up business plans and controls their implementation, defining the Company's position in respect of its subsidiaries on these matters. The Committee meets whenever called by its Chairman and in any case whenever the Board or Committees of the Board request the issuance of reports, submission of proposals or adoption of resolutions within the scope of its duties. Committee meetings are called by the Secretary, by order of 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:

<b>Name of significant shareholder</b>	<b>Name of company or group company</b>	<b>Relationship</b>	<b>Type of transaction</b>	<b>Amount (thousand euro)</b>
SOCIEDAD ANÓNIMA DAMM	HERBA RICEMILLS, S.L.U.	CONTRACTUAL	Sale of goods (finished or otherwise)	4,449

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:

<b>Name of director or executive</b>	<b>Name of company or group company</b>	<b>Nature of the transaction</b>	<b>Type of transaction</b>	<b>Amount (thousand euro)</b>
ANTONIO HERNÁNDEZ CALLEJAS	HERBA RICEMILLS, S.L.U.	CONTRACTUAL	Purchase of tangibles, intangibles or other assets	1
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	BOOST NUTRITION, C.V.	CONTRACTUAL	Sale of goods (finished or otherwise)	86
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	BOOST NUTRITION, C.V.	CONTRACTUAL	Purchase of goods (finished or otherwise)	86
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
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	HERBA FOODS, S.L.U.	CONTRACTUAL	Receipt of services	50
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	HERBA FOODS, S.L.U.	CONTRACTUAL	Rendering of services	7
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	Purchase of goods (finished or otherwise)	5,893

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 RICEMILLS, S.L.U.	CONTRACTUAL	Leases	150
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	SB HERBA FOODS LIMITED	CONTRACTUAL	Purchase of goods (finished or otherwise)	1,045
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	SB HERBA FOODS LIMITED	CONTRACTUAL	Sale of goods (finished or otherwise)	642
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	TBA SUNTRA UK, LTD	CONTRACTUAL	Purchase of goods (finished or otherwise)	1,020
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	TBA SUNTRA, BV	CONTRACTUAL	Purchase of goods (finished or otherwise)	65
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	TBA SUNTRA, BV	CONTRACTUAL	Sale of goods (finished or otherwise)	65

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 15.721%, 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**

DEMETRIO CARCELLER ARCE

**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.

**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 15.721% in Ebro Foods S.A. (8.831% direct and 6.889% 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 15.721%, 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 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 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. Nor may anyone related through family, professional or commercial ties to executive directors or other senior officers of the Company be members of the Board unless, after informing the Chairman of this situation, a report is issued by the Audit and Compliance Committee excluding the specific case from this prohibition.

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

NO

Name the listed subsidiaries:

## D. RISK CONTROL

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:

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

In particular, the Audit and Compliance Committee is responsible for 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, comply 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 information.

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).

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**

Narrowing of margins in some of our products

**Underlying circumstances**

Volatility on the commodities market (durum wheat and rice)

**Functioning of the control systems**

The prevention and control systems of those risks worked properly.

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**

Analyse and assess the principal risks to which the Group may be exposed and the systems established for their management and control.

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

	% quorum differing from that stipulated in the Corporations Act s. 102 for ordinary resolutions	% quorum differing from that stipulated in the Corporations Act s. 103 for special resolutions
Quorum required on 1st call	0	0
Quorum required on 2nd call	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
<p>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.</p> <p>Article 9 of said Regulations establishes the following measures in this regard:</p> <ul style="list-style-type: none"><li>- 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.</li><li>- 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.</li><li>- 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.</li><li>- The directors attending the general meeting shall form the Presiding Board.</li></ul> <p>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</p>

Details of measures
<p>necessary, in the counting of votes, informing the general meeting thereof once it has been declared quorate.</p> <p>The powers of the Chairman of the General Meeting are described in Article 13 of the Regulations:</p> <ul style="list-style-type: none"> <li>- Direct the debate, ensuring that it remains within the confines of the agenda, closing the debate when he considers the business sufficiently debated.</li> <li>- Organise the shareholders' contributions as established in Article 12 of the Regulations of the General Meeting.</li> <li>- Decide, where appropriate, on any extension of the time initially granted to shareholders to speak.</li> <li>- Moderate the shareholders' contributions, requesting them if necessary to keep to the agenda and observe the appropriate rules of correct conduct when speaking.</li> <li>- Call the shareholders to order when their contributions are clearly made to filibuster or upset the normal course of the general meeting.</li> <li>- 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.</li> <li>- Announce voting results.</li> <li>- Resolve any issues that may arise during the general meeting regarding the rules established in these Regulations.</li> </ul> <p>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.</p>

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

No changes were made to the Regulations of the General Meeting in 2011.

**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	
15/06/2011	10.630	54.750	0.000	0.000	65.380

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 15 June 2011 were approved on the terms and with the results indicated below:

#### ITEM ONE ON THE AGENDA

- To approve the annual accounts of EBRO FOODS, S.A. and its consolidated group for the year ended 31 December 2010.
- To approve the separate and consolidated directors' report of Ebro Foods, S.A. for the year ended 31 December 2010, including the Annual Corporate Governance Report, as drawn up by the board of directors.

These resolutions were approved by a majority of 99.93% of the voting capital present and represented.

#### ITEM TWO ON THE AGENDA

- To approve the management and all other actions by the Ebro Foods board during the year ended 31 December 2010.

This resolution was approved by a majority of 99.89% 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 2010, as shown below and set out in the company's annual report:

Base of application: 937,140

Unappropriated Reserves: 572,980

Balance of profit and loss account (profit): 364,160

- To approve the distribution of an ordinary dividend payable in cash against unappropriated reserves in a sum of 0.416 euro per share, payable in four quarterly payments of 0.104 euro each, on 4 April, 4 July, 3 October and 22 December 2011. Accordingly, to ratify the first of these four payments, made on 4 April. This dividend includes the proportional allocation that would correspond to the shares held as treasury stock.

These resolutions were approved by a majority of 99.93% of the voting capital present and represented.

#### ITEM FOUR ON THE AGENDA

- To vote for the directors' emoluments for the year ended 31 December 2010.
- To vote for the Annual Directors' Remuneration Report prepared by the board.

These resolutions were approved by a majority of 96.61% of the voting capital present and represented.

## ITEM FIVE ON THE AGENDA

- To authorise the board to buy back the company's own shares and authorise subsidiaries to acquire shares in the parent company, by purchase or on any other payment basis, on one or several occasions, subject to the conditions established 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 those already held by the company or its subsidiaries, shall not exceed 10% of the subscribed capital.

- As a result of the acquisition, including any shares which the company, or the person acting in his own name but for the company's account, has purchased earlier and holds as treasury stock, the equity shall not fall below the amount of the capital plus legal reserves or any undistributable reserves established in the company's articles. For this purpose, equity shall be the amount recorded as such according to the principles applied when drawing up the annual accounts, less the amount of profit attributed directly to equity, plus the amount of uncalled subscribed capital and the par value and share premiums of subscribed capital recorded under liabilities.

- The shares acquired shall be fully paid up.

- The cap and floor for the acquisition shall be, respectively, equivalent to the par value of the own shares purchased and to their price on an official secondary market at the time of purchase.

By virtue of this authorisation, the board may, by direct resolution or by delegation to the executive committee or to such person or persons as the board may authorise for this purpose, buy back own shares to hold them as treasury stock, dispose of them or, as the case may be, propose their redemption to the general meeting, within the limits established in law and subject to the conditions stipulated in this resolution. This authorisation is also extended to the possibility of acquiring own shares to be delivered directly to employees or executives of the company or its group, on one or several occasions, or upon exercise of any stock options they may hold, pursuant to section 146.1 a) paragraph 3 of the Corporate Enterprises Act.

The authorisation contemplated in this resolution is granted for no more than five years from the date of this Annual General Meeting and covers all treasury stock transactions made on the terms stipulated herein, without having to be reiterated for each purchase or acquisition, and all transfers to or earmarking of reserves made in pursuance of the Corporate Enterprises Act.

When any acquisition is made by virtue of this authorisation, the directors will especially ensure that the conditions established at this general meeting and the requirements stipulated in the Corporate Enterprises Act are met.

- To reduce the capital to redeem the company shares acquired by Ebro Foods or other companies in its Group, against the capital (for the par value) and unappropriated reserves (for the amount of the acquisition in excess of such par value), by such amounts as may be deemed fit from time to time, up to the maximum number of own shares held at any time.

- To delegate to the board the power to execute this resolution to reduce the capital, on one or several occasions, or to render it null and void, within a period not exceeding 5 years from the date of this AGM, doing whatsoever may be required by law for this purpose.

The board is especially authorised, within the times and limits established in this resolution, to: (i) reduce the capital or otherwise, establishing the specific date or dates of the operations, as the case may be, taking account of any internal and external factors affecting the decision; (ii) state in each case the amount of the reduction of capital; (iii) specify the application of the amount of the reduction of capital; (iv) adapt Articles 6 and 7 of the Articles of Association in each case to reflect the new amount of capital and the new number of shares; (v) apply in each case for delisting of the redeemed shares; and (vi) in general, adopt such resolutions as may be considered necessary to redeem the shares and reduce the capital accordingly, appointing individuals to do whatsoever may be necessary.



The resolutions concerning treasury stock, reduction of capital and delegation to the board contemplated in this item on the agenda render null and void those adopted in this respect at the Annual General Meeting held on 1 June 2010.

These resolutions were approved by a majority of 98.46% of the voting capital present and represented.

#### ITEM SIX ON THE AGENDA

- To authorise the board of directors of Ebro Foods, S.A. to increase the capital on one or several occasions, as and when it may decide, up to the maximum limit permitted by law, within a period not exceeding five years, without previously consulting the general meeting.

These capital increases may not exceed overall the sum of 46,159,617 euro, i.e. half the present capital, and must be made by monetary contributions and the issuance of ordinary shares, with or without a share premium.

The par value of the shares to be issued, plus the amount of the share premium, if any, must correspond to the fair value deriving from the auditors' report. These reports will be made available to shareholders, who will be informed thereon at the first general meeting held after the resolution to increase the capital.

- To authorise the board also to exclude the preferential subscription right for any such issues of shares and/or convertible debentures should this be in the company's interests.

- To delegate the board to execute the preceding resolution to increase the capital such that it may do so on one or several occasions, or to render it null and void, within a period not exceeding 5 years from the date of this AGM, doing whatsoever may be necessary or required by law for this purpose.

The board is especially authorised, within the times and limits established in this resolution, to: (i) increase the capital or otherwise, establishing the specific date or dates of the operations, as the case may be, taking account of any internal and external factors affecting the decision; (ii) state in each case the amount of the capital increase and the par value of the new shares; (iii) resolve the exclusion of the preferential subscription right for issues of shares and/or convertible obligations if this is in the company's interests; (iv) adapt Articles 6 and 7 of the Articles of Association in each case to reflect the new amount of capital and the new number of shares; (v) apply in each case for listing of the new shares issued; and (vi) in general, adopt such resolutions as may be considered necessary to issue shares and increase the capital accordingly, appointing individuals to do whatsoever may be necessary.

This delegation shall subsist on its own terms until the end of the five-year period established or until rendered void by the general meeting, even though the directors may change and without prejudice to the possible decision by the general meeting, subsequent to this delegation, to make one or several capital increases.

These resolutions were approved by a majority of 96.31% 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 Puleva 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 Puleva.

This resolution was approved by a majority of 99.86% of the voting capital present and represented.

#### ITEM EIGHT ON THE AGENDA

The resolutions corresponding to this item were voted separately.

- To ratify the appointment of José Nieto de la Cierva as proprietary director of the company for a period of 4 years. Mr Nieto was appointed by cooptation at the board meeting of 29 September 2010.

This resolution was approved by a majority of 91.80% of the voting capital present and represented.

- To set the number of board members at (13), pursuant to section 211 of the Corporate Enterprises Act and article 19 of the company's articles of association.

This resolution was approved by a majority of 97.34% of the voting capital present and represented.

#### ITEM NINE 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 any 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 92.26% 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.**

YES

<b>Number of shares required to attend general meeting</b>	100
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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.

Any shareholder entitled to attend may be represented at general meetings by another person. The proxy shall be made in writing especially for each general meeting or, as the case may be, through distance communication means in accordance with the appropriate provisions of these Regulations and especially for each general meeting. This right to representation is without prejudice to the legal provisions established for family representation and the granting of general powers of attorney.

In any case, whether the proxy is voluntary or required by law, no shareholder may have more than one representative at any general meeting.

Proxies may be revoked at any time. Personal attendance at the general meeting by the represented shareholder shall have the effect of revoking the proxy.

In cases of public requests for representation, the document establishing the power of attorney shall contain or annex the agenda, together with the request for instructions to exercise the voting right and indications of how the representative will vote if no specific instructions are issued. Such public request shall be deemed to exist whenever any one person represents more than three shareholders.

The proxy may also include any points which, although not included on the agenda in the notice of call, are likely to be dispatched at the meeting, being so permitted by law.

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 cast the 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.

E.11. Is the company is 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
- 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 existing corporate governance recommendations. 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.

Complies

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 Bylaw alterations, 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

#### Explanation

There are 4 independent directors, representing 30.769% of the total board members.

The company considers that the composition of the board reflects the composition of the shareholding body and that for the time being it is not necessary to appoint another independent director, owing to the very small difference in respect of the recommended percentage.

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, those concerns 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 significant event, 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.5.

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

### EXPLANATORY NOTE TWO, CONCERNING SECTION B.1.4.

Leopoldo del Pino y Calvo Sotelo was appointed proprietary director at the AGM held on 1 June 2010, at the request of the majority shareholder Casa Grande de Cartagena, S.L. (wholly-owned subsidiary of Lolland, S.A.). At the time of Mr del Pino y Calvo Sotelo's appointment as director, Casa Grande de Cartagena held an interest of over 5%, although at 31 December 2011 that interest has been reduced to 3.375%.



#### EXPLANATORY NOTE THREE, CONCERNING SECTION B.1.8.

Leopoldo del Pino y Calvo Sotelo is not, strictly speaking, director of the listed company Ferrovial, S.A., but represents the corporate director Portman Baela, S.L.

#### EXPLANATORY NOTE FOUR, CONCERNING SECTION B.1.11.

- Explanations concerning paragraphs a) and b) of this section:

1. A provision of €271 thousand was recognised in 2011 for the Deferred Annual Remuneration of the only director with executive duties, linked to the Group's Strategic Plan 2010-2012, which will not accrue and be payable until 2013.

2. The Deferred Annual Remuneration Scheme is not linked to the value of the Ebro Foods share nor implies 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.

#### EXPLANATORY NOTE FIVE, CONCERNING SECTION B.1.12.

Of the total remuneration of executives (excluding the executive director) of the Ebro Foods Group included in the Deferred Annual Remuneration Scheme under the Group's Strategic Plan 2010-2012, a total provision of €7 thousand was made in 2011, which will be payable in 2013.

In the end, the remuneration of all the executives of Ebro Foods was taken into consideration, even though not all of them are included in the senior management.

#### EXPLANATORY NOTE SIX, 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 2012. This policy is currently in the process of renewal.

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

- Instituto Hispánico del Arroz, S.A. has a 15.720% 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 15.720% 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 15.720% 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 9.651% indirect interest held in the company by Sociedad Anónima Damm.

- Leopoldo del Pino y Calvo Sotelo has an indirect interest in Ebro Foods, S.A. through the 3.375% direct interest held in the company by Casa Grande de Cartagena, S.L.

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

1. Ebro Foods, S.A. has an interest of less than 20% (18.652% at 31 December 2011) in Biosearch, S.A. This interest is merely financial and is recognised as such in the Ebro Group accounts.

Biosearch, S.A. is a listed company with activities similar to the objects of Ebro Foods, S.A., which formed part of the Ebro Group until January 2011.

At present, Ebro Foods, S.A. does not participate in the administration or management of Biosearch.

Therefore, Ebro Foods considers that the transactions made with Biosearch during 2011 were not related party transactions, although the transactions made between Biosearch, S.A. and companies in the Ebro Foods Group during 2011 are listed below:

- With Herba Ricemills, S.L.U.: purchase of goods (finished or otherwise) for €146 thousand.

- With Dosbio 2010, S.L.U.: leases for €28 thousand.

- With Ebro Foods, S.A.: rendering of services for €58 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.

The Ebro Foods directors Antonio Hernández Callejas and Demetrio Carceller Arce are also proprietary directors of Deoleo, proposed by Ebro in its capacity as majority shareholder.

The transactions made during 2011 between Deoleo and companies in the Ebro Foods Group are listed below:

- With Riviana Foods, Inc.: sale of goods (finished or otherwise) for €4 thousand; and purchase of goods (finished or otherwise) for €5,360 thousand.

- With Herba Ricemills, S.L.U.: sale of goods (finished or otherwise) for €9,791 thousand; and purchase of goods (finished or otherwise) for €29 thousand; other income for €172 thousand; and other expenses for €126 thousand.

- With SB Herba Foods, Ltd.: purchase of goods (finished or otherwise) for €463 thousand.

- With Ebro Foods, S.A.: purchase of tangible, intangible and other assets for €203,493 thousand.
- With Lassie Nederland, B.V.: receipt of services for €46 thousand.
- With Lustucru Riz, S.A.: commitments acquired 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  
28/03/2012.

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

NO

**ANNEX TO THE**  
**ANNUAL CORPORATE GOVERNANCE REPORT 2011**  
**OF EBRO FOODS, S.A.**

Under section 61 bis of the Spanish Securities Market Act, as amended in the Sustainable Economy Act 2/2011 of 12 April, listed companies are obliged to publish an annual report on corporate governance.

In a letter dated 28 December, the National Securities Market Commission (CNMV) ruled that until the legislative processes for developing the new model of report have been completed, the corporate governance report for 2011 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 2011 the board of directors of Ebro Foods, S.A. (hereinafter, the company) has issued this document supplementing the annual corporate governance report, describing the situation at the time of drawing up the annual accounts and issuing the corporate governance report for 2011, after approval by the board of the new Regulations of the Board and the new Code of Conduct of the Ebro Group.

**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 the 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)).**

There are no restrictions on the transferability of shares other than those generally established in law.

**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 following powers, as 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 depositary (*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. The resolution adopted in this regard is transcribed in section E.8 of the annual corporate governance report.

## **7. Description of the main characteristics of the internal risk management and control systems in the financial reporting process (Securities Market Act s. 61bis.4(h)).**

### **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 formally assumes the ultimate responsibility for the existence and correct application of the financial reporting internal control systems (FRICS). The board is responsible through the Audit and Compliance Committee for the existence and maintenance of procedures to ensure that the financial reporting is correct.

The Management Committee is responsible for the design, implementation and functioning of the FRICS, through the group's economic-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 the preparation, integrity and presentation to the market of the regulatory financial reporting, checking compliance with regulatory requirements,

adequate definition of the scope of consolidation and correct application of accounting principles.

b) Regularly checking the internal control and risk management systems to ensure that the main risks are identified, managed and adequately disclosed.

**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**

The financial department has an organisational structure defined on a group level and in each subsidiary. The corresponding human resources departments keep job profiles and descriptions of the responsibilities of each position. The different positions in the economic and financial area are included in organisation charts available for each subsidiary and on a corporate (group) level. The finance managers of all the subsidiaries are informed of the structure of the corporate financial department and advised of all new members of the department. All members of the different financial departments, both corporate and of the subsidiaries, have a clearly defined line of responsibility.

The finance managers of the subsidiaries are answerable to their respective general managers and the corporate financial department.

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.

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.

On a corporate level, global instructions are issued by the Group's financial department, although the implementation of those instructions is developed differently in each subsidiary. However, regardless of the level of detail of the performance of duties in the economic and financial area, all units complete the financial information for the group according to the indications and deadlines required for the consolidated reporting.

**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 Ebro Group has a new Code of Conduct, approved by the board on 28 March 2012, advising all levels of the organisation.

This Code of Conduct is an update of the Code of Ethics of 2003 and Code of Conduct of 2008 of the Ebro Foods Group and 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.

The Code of Conduct will be signed for by all employees when they join the workforce of any Group company. All group employees will be notified of any updates to the Code of Conduct. The Code of Conduct is also published in the Intranet, where it can be consulted by any employee.

The Code of Conduct establishes that the Group assumes a principle of conduct based on informative transparency, consisting of an undertaking to report reliable information to the markets, whether financial, accounting or of whatsoever other nature. 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.

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 reports regularly to the Group's Board of Directors on any queries raised in respect of the interpretation and application of the Code of Conduct, how they have been solved and, where appropriate, the interpretation criteria followed.

**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**

A whistle-blowing or reporting channel has been established through the Code of Conduct through which any irregular conduct in financial, accounting or other areas and any breach of the code of conduct can be reported confidentially.

The Audit and Compliance Committee will provide employees with two e-mail addresses for this purpose, one for queries and suggestions and the other for reports, through which consultations may be submitted to settle queries regarding interpretation of the code of conduct or to report breaches.

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 their protocol for action.

The Audit and Compliance Committee analyses all the reports received and replies to the reporter on the processing or dismissal of his/her report, stating reasons.

The reporting channel is expected to be fully operative in all its modalities and in all countries in 2012.

**Training programmes and regular updates for employees involved in the preparation and checking of financial information and evaluation by the FRICS, covering at least accounting and auditing standards, internal control and risk management**

The Ebro employees involved in the preparation and checking of the financial information and FRICS evaluation receive the necessary training and updates of the rules, standards and good practices to guarantee the reliability of the financial information generated.

The Group has a policy of recruiting personnel for the financial departments with sufficient training and experience in accounting and, in particular, in other matters related with the evaluation of accounting impacts. 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, information on line and other means. Moreover, regular meetings are held with the external auditors to assess in advance the standards in place and those being drafted by the IASB prior to entry into force in the European Union.

## **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**

The risk management process is established by the risks department and supervised by the board through the Audit and Compliance Committee, using a risks management system based on the Corporate Risk Management Policy.

The quality and reliability of its internal financial information and that provided to the market are among the priorities of the Ebro Group. The corporate financial department sends out requests for the information to be supplied by the different business units for the consolidated financial reporting, paying special attention to the processes of closing, consolidation, measurement of intangibles and aspects subject to judgement and estimates.

During 2011, the Group implemented an improvement process to bolster documentation and enhance the generation of financial information and its supervision, making it more efficient and effective. Based on the COSO internal control model, the significant processes involved in the generation of the Group's financial information were documented. The main processes documented were: Closing of Financial Statements and Reporting, Consolidation, Sales and Receivables, Purchases and Payables, Fixed Assets, Inventories, Payroll and Cash. The documentation outline may be extended to other processes progressively, according to the materiality and the general criteria established in the Group's financial reporting internal control system.

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.

#### **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**

This is a continuous process to improve the design and effectiveness of the controls and minimise the risks related with financial reporting. The financial reporting risk identification process was analysed during 2011 and updated according to the changes in the scope of consolidation of the Group, the development of its business and its reflection in the financial statements, making a comparative analysis of the changes in material processes and sub-processes.

Identification of the risks affecting the reliability of financial reporting is based on and begins 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.).

The first step to define the work to be done is to include within the scope the companies in the business areas or divisions that meet any of the criteria mentioned. Once the companies have been defined, the material accounting items of each one are established on a company level and the processes and sub-processes they affect are defined by means of a relationship matrix.

For each of the sub-processes identified in each of the material companies, the inherent risks arising in each phase of the process/sub-process are identified and the checks made by the different persons responsible to mitigate those risks are defined, setting this information down in a Risks-Controls Matrix, analysing to what extent the financial reporting objectives (existence and occurrence; integrity; measurement; presentation, breakdown and comparison; and rights and obligations) are covered for each risk.

**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 is designed to identify potential events that might affect the organisation, manage its risks by establishing internal processing and control systems with which the probability and impact of those events can be kept within the established tolerance levels and provide reasonable certainty that the strategic business objectives will be met.

The identification and measurement of risks is established in each line of business coordinated by a corporate team, which manages and establishes the permitted



tolerance to the risk and coordinates the actions to ensure that the treatment is in line with the Group's global risks policy. It is thus possible to know the Group's overall exposure to the risk at any time.

The Risks Management System includes 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. The financial information to be published and, therefore, the FRICS are supervised by the Audit and Compliance Committee, backed by the internal audit department, external auditors and other executives within the organisation and/or external experts, whenever this is considered necessary.

## **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 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 flows of activities and controls, including those checking for the risk of fraud, of 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, are duly documented. These flows of activities and controls include identification of the main processes and sub-processes that may have a material effect on the reliability of the financial information, considering both quantitative and qualitative criteria:

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. The main processes documented were: Closing of Financial Statements and Reporting, Consolidation, Sales and Receivables, Purchases and Payables, Fixed Assets, Inventories, Payroll and Cash.

Process documentation may be extended to other processes progressively, according to the materiality and the general criteria established in the Group's financial reporting internal control system.

#### **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 refer to the use of computer resources, access to systems and user management, protection of networks, systems, data bases and applications and the management of back-up copies.

The IT Department is responsible for defining and proposing the security policies.

#### **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. That manual is updated on an annual basis.
- 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.

**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 has ultimate responsibility 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 submits its annual working plan to the Audit and Compliance Committee and reports 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 submits 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.

## **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.**

The internal control system is assessed by the external auditor with the scope that said auditor considers necessary taking into account the impact and reasonability of the financial statements. For this reason, it has not been considered necessary to issue a separate report in addition to the auditor's report on the annual accounts.

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**ANNUAL REPORT ON THE REMUNERATION POLICY OF THE  
BOARD OF DIRECTORS OF EBRO FOODS S.A.**

## 1. Introduction.

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

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

*1. Together with the Annual Corporate Governance Report, the Boards of listed companies shall prepare an annual directors' remuneration report, including full, clear, comprehensible information on the company's remuneration policy approved by the Board for the current year and, if any, the policy established for future years. It shall also include an overview of how the remuneration policy was applied during the year and details of the individual emoluments of each of the directors.*

*2. The annual directors' remuneration report, the company's remuneration policy approved by the board for the current year, the policy for future years, the overview of how the remuneration policy was applied during the year and details of the individual emoluments of each of the directors shall be published and put to an advisory vote at the Annual General Meeting of Shareholders, as a separate item on the agenda.*

*... / ...*

*5. The Minister of Economy and Finance or, by express authorisation, the National Securities Market Commission, shall define the contents and structure of the directors' remuneration report, which may contain information, among other aspects, on: the amount of non-variable and variable components of remuneration and performance criteria selected for its design, as well as the role played by the Remuneration Committee, if any.*

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

This report is issued in fulfilment of the above-quoted provisions, giving transparency to the remuneration policy applied in the Ebro Foods Group in 2011 and with a view to putting it to an advisory vote by shareholders at the forthcoming Annual General Meeting.

## 2. Internal provisions applicable

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

### **"Article 22: Directors' Emoluments**

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

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

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

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





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

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

*.../...*

- d) Proposal of directors’ emoluments, according to the system of remuneration established in the Articles of Association and the executive directors’ relationship with the Company. The Committee shall also inform in advance on any resolution or proposal of the Board on the remuneration of directors and executives indexed to the value of the shares in the Company or its subsidiaries or consisting of the delivery of shares in the Company or its subsidiaries or the granting of options thereaer.*
- 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 2011 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 2011

**3.1 Share in profits.** At its meeting on 29 February 2012 and on recommendation of the Nomination and Remuneration Committee, the Board resolved to freeze the share in profits for 2011, with no variation in respect of 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 1.68% of the consolidated net profit attributed to the company in 2011 to such remuneration.

**3.2. Attendance fees for committee meetings.** The Board further decided to maintain in 2011 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 2011 of 296,800 euro).

Attendance fees for board meetings of Deoleo S.A. (a company in which Ebro Foods holds a stake of 9.33%) during 2011 were set at 3,416 euro. Consequently, those directors of Ebro Foods, S.A. who are also directors of Deoleo were paid a total sum of 51,240 euro in 2011.

Therefore, the sum total of attendance fees received in 2011 was 348,040 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 2011 for his executive duties included the following amounts:

- ▮ Non-variable remuneration: 680,963.29 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 have been met in 2011 (70% corresponding to EBITDA, 23% to average debt and the remaining 7% to average working capital, all for the consolidated Ebro Group), the variable remuneration for 2011 was set at 650,096 euro and was paid in February 2012.

- ▮ 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 €4,244 thousand in 2011, as shown in the following table, which also shows the figures of the previous year for purposes of comparison (in thousand euro):

<b>DIRECTORS' REMUNERATION AND OTHER EMOLUMENTS</b>	<b>2011</b>	<b>2010</b>
<b>Pay items</b>		
Attendance fees	348	355
Share in profit	2,565	2,565
<b>Total non-executive directors</b>	<b>2,913</b>	<b>2,920</b>
Wages, salaries & professional fees	1,331	3,441
Compensation & other transfer instruments		
<b>Total executive directors</b>	<b>1,331</b>	<b>3,441</b>
<b>Total remunerations</b>	<b>4,244</b>	<b>6,361</b>
<b>Other emoluments</b>		
Life insurance and retirement schemes	0	0

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

<b>DIRECTOR</b>	<b>Share in profits stipulated in articles</b>	<b>Attendance fees</b>	<b>Fees for attending meetings in Deoleo</b>	<b>fixed remuneration for executive duties</b>	<b>variable remuneration for executive duties</b>	<b>Total</b>
Antonio Hernández Callejas	351.6	23.2	34.1	680.9	650	1,739.7
Instituto Hispánico del Arroz, S.A.	131.8	17.6	0	0	0	149.4
José Nieto de la Cierva	131.8	17.6	0	0	0	149.4
Leopoldo del Pino y Calvo Sotelo	241.7	23.2	0	0	0	264.9
Alimentos y Aceites, S.A.	219.7	23.2	0	0	0	242.9
Blanca Hernández Rodríguez	170.3	25.6	0	0	0	195.8
Demetrio Carceller Arce	268.6	25.6	17	0	0	311.2
Rudolf-August Oetker	109.9	17.6	0	0	0	127.4
José Ignacio Comenge Sánchez-Real	143.3	23.2	0	0	0	166.5
Fernando Castelló Clemente	173.6	25.6	0	0	0	199.1
José Barreiro Seoane	301.6	25.6	0	0	0	327.1
Sol Daurella Comadrán	177.9	25.6	0	0	0	203.5
Eugenio Ruiz-Gálvez Priego	143.4	23.2	0	0	0	166.5
<b>Total</b>	<b>2,565</b>	<b>297</b>	<b>51</b>	<b>681</b>	<b>650</b>	<b>4,244</b>

#### 4. Remuneration policy for coming years

##### 4.1. Non-variable remuneration

At a meeting held on 29 February 2011 and on recommendation of the Nomination and Remuneration Committee, the Board of Directors agreed that the non-variable remuneration of the only director with executive duties would be the same in 2012 as in 2011, with no increase.

##### 4.2. Ordinary annual variable remuneration

The only target set by the board for assessment in 2012 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 2011, 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

At a meeting held on 1 June 2010 and on recommendation of the Nomination and Remuneration Committee, the board of directors of Ebro Foods, S.A. approved a Deferred Annual Bonus Regime linked to fulfilment of the Strategic Plan 2010-2012 for the senior management of the Ebro Foods Group, including the 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 and with a minimum of 85% of the budgeted targets, below which no bonus will accrue.

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

- ▶ 2010: 343 thousand euro, for which a provision was recognised in the 2010 accounts and which was paid in 2012.
- ▶ 2011: 271 thousand euro, for which a provision was recognised in the 2011 accounts and which will accrue and be payable in 2013.
- ▶ 2012: 70% of the remuneration for the 3-year period, so the executive director will be entitled to a bonus of 1,413 thousand euro if the budgeted targets are met 100% and 1,766 thousand euro if the budgeted targets are exceeded, at 125%.

Once assessed, the deferred annual bonus for 2012 will accrue and be payable in 2014.

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

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

## 5. Other information

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

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

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

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This is the Report drawn up by the Board of Directors of Ebro Foods, S.A. following the recommendations of the Unified Code of Good Governance of Listed Companies, issuing instructions for it to be made available to the company's shareholders along with the other documents and information provided for the forthcoming Annual General Meeting of Ebro Foods, S.A. This Report is issued on 28 March 2012.

**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 2011.

The main activities performed during 2011 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 auditors**

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

- a) Supervise and promote internal control of the company and the risk management systems and submit recommendations to the Board regarding the risk management and control policy, specifying at least:
  - ▶ The types of risk (operating, technological, financial, legal and reputational) to which the company is exposed;
  - ▶ The risk level that the company considers acceptable;
  - ▶ The measures for mitigating the impact of identified risks, should they actually occur;
  - ▶ The control and reporting systems used to control and manage those risks.
- b) Supervise and promote the policies, procedures and systems used for drawing up and 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.
- e) 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.
- f) 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.





- g) Be informed of the decisions adopted by the senior management according to recommendations made by the External Auditors in connection with the audit.
- h) Report to the Board prior to the adoption of any decisions on related party transactions submitted for its authorisation.
- i) 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.
- j) Supervise compliance with the internal codes of conduct and rules of corporate governance. In particular, oversee the implementation of and compliance with the internal regulations and codes applicable to the risk management and control systems in general and the financial reporting process in particular.

During 2011 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 2H 2010 financial report (Committee meeting of 28 February 2011).
- ▶ Review and analysis of the separate and consolidated annual accounts 2010 and examination of the provisional report by the external auditors (Committee meeting of 30 March 2011).
- ▶ Review and analysis of the 1Q 2011 financial report to be filed with the CNMV (Committee meeting of 27 April 2011).
- ▶ Review and analysis of the 1H 2011 financial report to be filed with the CNMV (Committee meeting of 27 July 2011).
- ▶ Review and analysis of the economic and financial information for 3Q 2011, together with the financial report to be filed with the CNMV (Committee meeting of 26 October 2011).



### 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 company 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:

- ▶ Arrozeiras Mundiarroz (Committee meeting of 30 March 2011).
- ▶ Bosto Panzani Benelux (Committee meeting of 30 March 2011).
- ▶ Riceland (Committee meeting of 27 July 2011).
- ▶ Herba Bangkok (Committee meeting of 27 July 2011).
- ▶ Due Diligence of TBA Suntra (Committee meeting of 27 July 2011).
- ▶ Due Diligence of Strom Products (Committee meeting of 21 December 2011).
- ▶ SOS Netherlands (Committee meeting of 21 December 2011).
- ▶ Herba Egypt (Committee meeting of 21 December 2011).

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

- ▶ Approval of the Annual Internal Audit Plan for 2011 (Committee meeting of 26 January 2011).
- ▶ Selection of Ernst & Young as external consultant for preparation of the Group's Risk Map (Committee meeting of 28 February 2011).
- ▶ Analysis of related party transactions, conflicts of interest and risks (Committee meeting of 30 March 2011).
- ▶ Study of the proposed fees of the External Auditor for 2011 (Committee meeting of 26 October 2011).
- ▶ Presentation of the conclusions of the work done by Ernst & Young for the preparation of a Group Risk Map (Committee meeting of 21 December 2011).