

A close-up photograph of a light blue ceramic bowl filled with fluffy, golden-brown rice. The bowl is placed on a rustic wooden surface. The text 'ANNUAL CORPORATE GOVERNANCE REPORT' and 'EBRO 2016' is overlaid in white, bold, sans-serif font. Two horizontal white lines are positioned above and below the text. A small white icon of a folder or document is located below the text.

ANNUAL CORPORATE GOVERNANCE REPORT
EBRO 2016



ANNEX 1

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

DETAILS OF ISSUER

YEAR ENDED	31/12/2016
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TAX REGISTRATION NUMBER	A47412333
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NAME

EBRO FOODS, S.A.

REGISTERED OFFICE

PASEO DE LA CASTELLANA 20, PLANTAS 3ª Y 4ª, MADRID
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ANNUAL CORPORATE GOVERNANCE REPORT LISTED COMPANIES

A OWNERSHIP STRUCTURE

A.1 Complete the following table on the capital of the company:

Date latest modification	Capital (€)	Number of shares	Number of voting rights
11/06/2002	92,319,235.20	153,865,392	153,865,392

Indicate whether there are different classes of shares with different associated rights:

YES NO

A.2 Give details on the direct and indirect holders of significant interests in your company at year-end, excluding directors:

Name of shareholder	Number of direct voting rights	Number of indirect voting rights	Interest / total voting rights (%)
JUAN LUIS GÓMEZ-TRENOR FOS	0	11,808,970	7.67%
CORPORACIÓN FINANCIERA ALBA, S.A.	0	15,400,000	10.01%
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES	0	15,940,377	10.36%
SOCIEDAD ANÓNIMA DAMM	0	17,613,610	11.45%

Name of indirect holder of the interest	Through: Name of direct holder of the interest	Number of voting rights
JUAN LUIS GÓMEZ-TRENOR FOS	EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.U.	11,808,970
CORPORACIÓN FINANCIERA ALBA, S.A.	ALBA PARTICIPACIONES, S.A.	15,400,000
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES	ALIMENTOS Y ACEITES, S.A.	15,940,377
SOCIEDAD ANÓNIMA DAMM	CORPORACIÓN ECONÓMICA DELTA, S.A.	17,613,610

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

Name of shareholder	Date of transaction	Description of transaction
HISPAFOODS INVEST, S.L.	22/12/2016	Reduction of interest by 3% of the capital
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	28/12/2016	Reduction of interest by 3% of the capital
GRUPO TRADIFÍN, S.L.	28/12/2016	Interest raised to above 5% of the capital
HERCALIANZ INVESTING GROUP, S.L.	28/12/2016	Interest raised to above 5% of the capital

A.3 Complete the following tables on directors with voting rights in the company:

Name of director	Number of direct voting rights	Number of indirect voting rights	% of total voting rights held
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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	68,006	0.04%
FERNANDO CASTELLÓ CLEMENTE	2,307,828	0	1.50%
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	3,030	4,500,000	2.93%
ALIMENTOS Y ACEITES, S.A.	15,940,377	0	10.36%
EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.U.	11,808,970	0	7.67%
JOSÉ NIETO DE LA CIERVA	8,969	2,044	0.01%
JOSÉ ANTONIO SEGURADO GARCÍA	5,000	2,000	0.00%
GRUPO TRADIFÍN, S.L.	12,248,809	0	7.96%
HERCALIANZ INVESTING GROUP, S.L.	12,248,809	0	7.96%

Name of indirect holder of the interest	Through: Name of direct holder of the interest	Number of direct voting rights
ANTONIO HERNÁNDEZ CALLEJAS	ANTONIO HERNÁNDEZ GONZÁLEZ	30,873
ANTONIO HERNÁNDEZ CALLEJAS	LUIS HERNÁNDEZ GONZÁLEZ	37,133
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	LA FUENTE SALADA, S.L.	4,500,000
JOSÉ NIETO DE LA CIERVA	M ^a MACARENA AGUIRRE GALATAS	2,044
JOSÉ ANTONIO SEGURADO GARCÍA	SEGURADO Y GALOBART, S.L.	2,000

Total % of voting rights held by board members	38.44%
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Complete the following tables on directors with stock options in the company:

- A.4 Indicate family, commercial, contractual or corporate relationships among significant shareholders known to the company, if any, except any that are insignificant and those deriving from ordinary commercial business:

Name of related parties
SOCIEDAD ANÓNIMA DAMM
CORPORACIÓN ECONÓMICA DELTA, S.A.

Type of relationship: Corporate

Brief description:

Sociedad Anónima Damm holds a direct interest of 99.93% in Corporación Económica Delta, S.A.

Name of related parties
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES
ALIMENTOS Y ACEITES, S.A.

Type of relationship: Corporate

Brief description:

Sociedad Estatal de Participaciones Industriales holds a direct interest of 91.9625% in Alimentos y Aceites, S.A.

Name of related parties
EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.U.
JUAN LUIS GÓMEZ-TRENOR FOS

Type of relationship: Corporate

Brief description:

At 31 December 2016, Juan Luis Gómez-Trenor Fos held 100% of the capital of Empresas Comerciales e Industriales Valencianas, S.A. and was its sole director.

- A.5 Describe the commercial, contractual or corporate relationships between significant shareholders and the company and/or its group, if any, except any that are insignificant and those deriving from ordinary commercial business:

Name of related parties
SOCIEDAD ANÓNIMA DAMM
HERBA RICEMILLS, S.L.U.

Type of relationship: Commercial

Brief description:

During 2016, Herba Ricemills, S.L.U., a subsidiary of the Ebro Foods Group, sold rice and rice by-products to two subsidiaries of the controlling shareholder Sociedad Anónima Damm on arm's length terms, as indicated in section D.2 of this report.

- A.6 State whether the company has been notified of any shareholders' agreements that may affect it pursuant to sections 530 and 531 of the Corporate Enterprises Act. If any, describe them briefly and list the shareholders bound by the agreement:

YES NO

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

YES NO

Expressly indicate any change or break-up of those agreements or concerted actions, if any, that has taken place during the year.

- A.7 Indicate any individuals or entities that exercise or may exercise control over the company in pursuance of section 4 of the Securities Market Act and identify it/them if appropriate:

YES NO

Comments

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

At year-end:

Number of direct shares	Number of indirect shares (*)	Treasury stock/capital (%)
0	0	0.00%

(*) Through:

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

Explain the significant variations

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 3 June 2015 resolved, under item twelve 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

To authorise the board of directors, with the power to delegate, to buy back shares in Ebro Foods, S.A., directly or through its subsidiaries, by purchase, swap or under any other title and on one or several occasions, on the terms and conditions established in sections 146 et seq and sections 509 et seq of the Corporate Enterprises Act, and the following conditions::

- §The par value of the shares purchased directly or indirectly, together with those already held by the company or its subsidiaries, shall not exceed 10% of the subscribed capital.
- §The buy-back, when added to the shares previously acquired by the company or any person acting in his own name but on behalf of the company and held in portfolio, shall not have the effect of reducing equity to below the amount of the capital plus the legal or restricted statutory reserves. For this purpose, equity shall be the amount considered such according to the principles for drawing up the annual accounts, less the amount of gains attributed directly thereto, plus the amount of uncalled subscribed capital and the par value and share premium of the subscribed capital recognised in liabilities.
- The shares thus acquired shall be fully paid up.
- The cap and floor values for buy-back shall be the market value of the shares on an official secondary market at the date of buy-back and a value equivalent to the par value of the own equity instruments acquired, respectively.

b. Contents of the authorisation

- To authorise the Board, by direct resolution or delegation to the Executive Committee, or by delegation to such person or persons as the Board may authorise for this purpose, to buy back own shares to hold them in its treasury stock, dispose of them or, as the case may be, put a motion at the General Meeting for their redemption, within the legal limits and complying with the conditions established in this resolution.

This authorisation is also extended to the possibility of buying back own shares for delivery, on one or several occasions, to the company or group employees, directly or following exercise of their option rights, pursuant to section 146.1(a), third paragraph, of the Corporate Enterprises Act.

It is also extended to acquisitions of shares in Ebro Foods, S.A. by its subsidiaries.

- To authorise the Board to reduce the capital in order to redeem the own equity instruments purchased by the company or other companies in its group against the capital (for their par value) and unrestricted reserves (for the cost of the acquisition in excess of that par value), by such amounts as it may deem fit from time to time and up to the maximum own shares held at any time.
- To delegate to the board to implement the aforesaid resolution to reduce the capital, which it may do on one or several occasions or declare it null and void, within a period not exceeding 5 years from the date of this General Meeting (3 June 2015), taking such actions for this purpose as may be necessary or required by law.

The Board is especially authorised so that it may, within the times and limits indicated in this resolution, proceed to: (i) make or declare void the reduction of capital, naming if appropriate the specific date(s) of the transactions, taking account of any internal or external factors that may influence this decision; (ii) specify in each case the amount by which the capital is reduced; (iii) determine the destination of the amount of the reduction of capital; (iv) in each case adjust Articles 6 ("Capital") and 7 ("Shares") of the Articles of Association to reflect each new amount of capital and 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 for redemption and the consequent reduction of capital, designating who is to put it on record.

c. Term of the authorisation

The authorisation contemplated in this resolution is granted for a maximum of five years from the date of the General Meeting (3 June 2015) and covers all transactions in own equity instrument made hereunder, without requiring reiteration for each acquisition made. It also covers any provisions or earmarking of reserves made in accordance with the Corporate Enterprise Act.

The resolutions adopted at the Annual General Meeting of 3 June 2015 regarding treasury stock, reduction of capital and delegation to the Board rendered void in the unused amount those adopted in this regard at the Annual General Meeting held on 15 June 2011. They remain in force, not having been since revoked.

A.9.bis. Estimated free float:

	%
Estimated free float	40.10

A.10 Indicate any constraints on the transferability of shares and/or any restrictions on voting rights. In particular, indicate the existence of any constraint or limitation that may hamper takeover of the company through the acquisition of its shares on the market.

YES NO

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

YES NO

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

A.12 State whether the company has issued any shares that are not traded on an EU regulated market.

YES NO

If appropriate, indicate the different classes of shares and the rights and obligations conferred for each class.

B. GENERAL MEETING

B.1 Indicate whether there are any differences between the quorums established for General Meetings and the minimums stipulated in the Corporate Enterprises Act and, if any, explain.

YES NO

B.2 Indicate whether there are any differences in respect of the system stipulated in the Corporate Enterprises Act for adopting corporate resolutions and, if any, explain.

YES NO

What differences exist in respect of the system stipulated in the Corporate Enterprises Act?

B.3 Indicate the rules for alteration of the company's articles of association. In particular, indicate the majorities stipulated for altering the articles of association and the rules, if any, protecting shareholders' rights in any alteration of the articles.

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

B.4 Give details of attendance of general meetings held during the year of this report and the previous year:

Date General Meeting	Details of Attendance				Total
	% in person	% by proxy	% distance voting		
			Electronic vote	Others	
03/06/2015	28.25%	46.12%	0.00%	0.00%	74.37%
01/06/2016	19.94%	55.85%	0.00%	0.00%	75.79%

B.5 Are any restrictions are established in the articles of association requiring a minimum number of shares to attend general meetings?

YES NO

B.6 Repealed.

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

The corporate website of Ebro Foods (<http://www.ebrofoods.es/>) is set up as a vehicle of information, continuously and permanently updated for shareholders, investors and markets in general.

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

Pursuant to current legislation, this section includes the chapter on Corporate Governance at the following address: <http://www.ebrofoods.es/information-for-shareholders-and-investors/corporate-governance/regulations-of-the-general-meeting/>

That section includes all the information that the company makes available to shareholders for general meetings, specifically at <http://www.ebrofoods.es/en/information-for-shareholders-and-investors/corporate-governance/general-meeting-of-shareholders-exercise-of-the-right-to-information/> and <http://www.ebrofoods.es/en/information-for-shareholders-and-investors/corporate-governance/general-shareholders-meeting-2016/>). There is also a direct link to the General Meeting of this year from the home page (<http://www.ebrofoods.es/>).

The Corporate Governance chapter is structured in the following sub-sections:

- Regulations of the General Meeting
- General Meeting of Shareholders: exercise of the right to information
- General Shareholders' Meeting 2017
- Board of Directors
- Regulations of the Board
- Annual Corporate Governance Report
- Remuneration of Directors
- Board Committees
- Internal Code of Market Conduct
- Shareholders' Forum

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 easy access, aiming to enable fast location and download of the required information.

The corporate website offers all the information in this section in Spanish and English, and the information considered most important is also provided in French, Catalan, Euskera and Galician.

C. MANAGEMENT STRUCTURE OF THE COMPANY

C.1 Board of Directors

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

Maximum number of directors	15
Minimum number of directors	7

C.1.2 Give details of the board members:

Name of director	Representative	Category of director	Position on Board	Date first appointment	Date latest appointment	Election procedure
JOSÉ ANTONIO SEGURADO GARCÍA		Independent	LEAD INDEPENDENT DIRECTOR	29/05/2012	04/06/2014	RESOLUTION PASSED AT AGM
DEMETRIO CARCELLER ARCE		Proprietary	VICE-CHAIRMAN	01/06/2010	04/06/2014	RESOLUTION PASSED AT AGM
EUGENIO RUIZ-GÁLVEZ PRIEGO		Other Non-Executive	DIRECTOR	25/07/2000	04/06/2014	RESOLUTION PASSED AT AGM
ANTONIO HERNÁNDEZ CALLEJAS		Executive	CHAIRMAN	24/01/2002	04/06/2014	RESOLUTION PASSED AT AGM
FERNANDO CASTELLÓ CLEMENTE		Independent	DIRECTOR	29/05/2012	04/06/2014	RESOLUTION PASSED AT AGM
JOSÉ NIETO DE LA CIERVA		Proprietary	DIRECTOR	29/09/2010	04/06/2014	RESOLUTION PASSED AT AGM
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL		Independent	DIRECTOR	29/05/2012	04/06/2014	RESOLUTION PASSED AT AGM
RUDOLF-AUGUST OETKER		Proprietary	DIRECTOR	01/06/2010	04/06/2014	RESOLUTION PASSED AT AGM
ALIMENTOS Y ACEITES, S.A.	CONCEPCIÓN ORDÍZ FUERTES	Proprietary	DIRECTOR	23/07/2004	04/06/2014	RESOLUTION PASSED AT AGM
EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.U.	JUAN LUIS GÓMEZ-TRENOR FOS	Proprietary	DIRECTOR	18/12/2013	04/06/2014	RESOLUTION PASSED AT AGM
MERCEDES COSTA GARCÍA		Independent	DIRECTOR	27/07/2016	27/07/2016	COOPTATION
GRUPO TRADIFÍN, S.L.	MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ	Proprietary	DIRECTOR	21/12/2016	21/12/2016	COOPTATION
HERCALIANZ INVESTING GROUP, S.A.	FÉLIX HERNÁNDEZ CALLEJAS	Executive	DIRECTOR	21/12/2016	21/12/2016	COOPTATION

Total Number of Directors	13
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Indicate any retirements from the board during the reporting period:

Name of director	Category of director at retirement	Date of retirement
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HISPAFOODS INVEST, S.L.	Proprietary	21/12/2016
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	Executive	21/12/2016

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

EXECUTIVE DIRECTORS

Name of Director	Position in company's organisation
ANTONIO HERNÁNDEZ CALLEJAS	CHAIRMAN
HERCALIANZ INVESTING GROUP, S.A.	ITS REPRESENTATIVE IS ON THE BOARD OF SEVERAL SUBSIDIARIES OF THE EBRO GROUP

Total number of executive directors	2
% of board	15.38%

NON-EXECUTIVE PROPRIETARY DIRECTORS

Name of Director	Name of significant shareholder represented or that proposed appointment
DEMETRIO CARCELLER ARCE	SOCIEDAD ANÓNIMA DAMM
JOSÉ NIETO DE LA CIERVA	CORPORACIÓN FINANCIERA ALBA, S.A.
RUDOLF-AUGUST OETKER	SOCIEDAD ANÓNIMA DAMM
ALIMENTOS Y ACEITES, S.A.	SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES
EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.U.	JUAN LUIS GÓMEZ-TRENOR FOS
GRUPO TRADIFÍN, S.L.	GRUPO TRADIFÍN, S.L.

Total number of proprietary directors	6
% of board	48.15%

NON-EXECUTIVE INDEPENDENT DIRECTORS

Name of Director

JOSÉ ANTONIO SEGURADO GARCÍA

Profile

Born in Barcelona. Graduate in Law and Economics. Insurance broker and entrepreneur. Chairman of SEFISA, AEF and AEIM. Joint founder of CEIM and CEOE. President of the Liberal Party and MP in the National Government in the III and IV Parliamentary Terms. Member of the Trilateral Commission. Director of Unión y Fénix, Acerinox, J.W.Thompson and Vusa. Currently Chairman of Segurado & Galobart, S.L. and of the Advisory Council of Alkora EBS, Correduría de Seguros, S.A., Honorary Chairman & Founder of CEIM, member of the Management Board of CEOE and the Advisory Board of Coviran, S.C.A. Grand Cross of the Order of 2 May awarded by the Community of Madrid.

José Antonio Segurado García passed away in February 2017.

Name of Director

FERNANDO CASTELLÓ CLEMENTE

Profile

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

Name of Director

JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL

Profile

Born in San Sebastián. Economist and graduate in International Banking. Extensive experience in the financial sector, director and executive positions in several financial institutions and insurance companies, such as Banco Hispano Americano, Mutua Madrileña and Axa Winterthur, among others. Chairman of Rexam Ibérica and Arbitraje Inversiones S.L.

Name of Director

MERCEDES COSTA GARCÍA

Profile

Born in Lérida. Law graduate from Central University of Barcelona and MAJ (IE Business School). Extensive professional experience as commercial lawyer, lecturer and researcher in the field of the entire negotiation process. Currently Manager of the Negotiation and Mediation Centre and lecturer in negotiation in master programmes, advanced courses and executive education programmes at the IE Business School of Madrid, in on-site and on-line courses. Also Director of the Negotiation Forum (*Foro Negocia*) and Member of the Good Governance Committee of the IE Business School.

Total number of independent directors	4
% of board	30.77%

State whether any director qualified as independent receives from the company or any other company in the same group any sum or gain other than directors' emoluments, or has or has had a business relationship with the company or any other company in its group during the past year, in his/her own name or as controlling shareholder, director or senior executive of a company which has or has had such a relationship.

None of the independent directors is in any of these circumstances.

If appropriate, include a reasoned statement by the board explaining why it considers that the director in question can perform his/her duties as an independent director.

OTHER NON-EXECUTIVE DIRECTORS

Name any other non-executive directors and explain why they cannot be considered proprietary or independent directors and their relationships, with the company or its executives or with the shareholders:

Name of Director

EUGENIO RUIZ-GÁLVEZ PRIEGO

Company, executive or shareholder with which he has a relationship:

EBRO FOODS, S.A.

Reasons:

During his time in office, Eugenio Ruiz-Gálvez Priego was not a proprietary director because he did not hold a significant interest in the company or represent a significant shareholder. He could not be considered an independent director because he had been a director of Ebro Foods, S.A. for more than 12 years in succession.

Total number of other non-executive directors	1
% of board	7.69%

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

C.1.4 Complete the following table with details of the number of female directors over the past 4 years and the type of female directors:

	Number of female directors				Female directors / total directors of each type (%)			
	2016	2015	2014	2013	2016	2015	2014	2013
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	2	2	2	2	33.33%	28.57%	28.57%	28.57%
Independent	1	0	0	1	25.00%	0.00%	0.00%	25.00%
Other non-executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total	3	2	2	3	23.08%	16.67%	16.67%	23.08%

C.1.5 Explain any measures taken to endeavour to include in the board a number of women to give a balanced composition of men and women directors.

Explanation of measures

Throughout 2016 and up to the date of this report, the presence of women on the board was increased with the appointment of two new female directors: Mercedes Costa García appointed on 27 July 2016 and Belén Barreiro Pérez-Pardo appointed on 25 January 2017.

At the date of this report, there are four women on the board, out of a total thirteen members, so women represent 30.76% of the board members.

The company has reached the representation target specified in the Policy for Selecting Candidates, that by 2020 the gender least represented on the Board should account for at least thirty per cent of all the Board members.

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

Explanation of measures

No specific measures of this nature have been adopted, the principal criterion applied when selecting candidates to the board being that the selection process should avoid any kind of implicit bias that could involve discrimination on any grounds against any of the candidates.

This notwithstanding, the Policy for Selecting Candidates to be Directors approved by the Board of Directors upholds the following principles: (i) a diversity of expertise, experience and gender on the Board shall be sought; and (ii) in equal conditions, the candidate whose gender is least represented on the board at that time shall be chosen.

In addition, the aforesaid Policy for Selecting Candidates to be Directors expressly contemplates the target that by 2020 the gender least represented on the Board shall account for at least thirty per cent of all the Board members.

At the date of this report, the company has reached that target, since the women on the board currently account for 30.75% of the thirteen board members.

See section C.1.5 and Explanatory Note One in section H of this Report.

If, despite the measures taken, if any, there are few or no female directors, explain the reasons that justify this situation:

Explanation of reasons

N/A

C.1.6 bis Explain the conclusions of the nomination committee on checking compliance with the policy for selecting directors and, in particular, on how that policy is promoting the target that by the year 2020 the number of female directors should represent at least 30% of all the board members.

Explanation of conclusions

The Nomination and Remuneration Committee considers that the appointments of new directors agreed in 2016 and 2017 conform to the principles established in the Policy for Selecting Directors.

In particular, the Nomination and Remuneration Committee considers that the appointment of two women as independent directors, in addition to enhancing the diversity of expertise and experience on the board, (i) favours gender diversity within the target set for women (as the gender least represented on the board) to represent thirty per cent of the total board members by 2020 and (ii) raises the number of independent directors, in keeping with the good governance recommendations.

C.1.7 Explain the form of representation on the board of shareholders with significant interests.

- Alimentos y Aceites, S.A. is a director and significant shareholder of the company. See section A.4 regarding its relationship with Sociedad Estatal de Participaciones Industriales.

- The directors Demetrio Carceller Arce and Dr Rudolf-August Oetker were nominated by the significant shareholder Corporación Económica Delta, S.A. (formerly called Corporación Económica Damm, S.A.). See section A.4 regarding the corporate relationship between Corporación Económica Damm, S.A. and Sociedad Anónima Damm.

- The director José Nieto de la Cierva was nominated by the significant shareholder Alba Participaciones, S.A. See section A.4 regarding the corporate relationship between Alba Participaciones, S.A. and Corporación Financiera Alba, S.A. See also Explanatory Note One in section H of this report.

- Empresas Comerciales e Industriales Valencianas, S.L.U. is a director and significant shareholder of the company. See section A.4 and Explanatory Note One in section H of this report.

- Grupo Tradifin, S.L. and Heralianz Investing Group, S.L. were nominated directors by the then significant shareholder Instituto Hispánico del Arroz, S.A. When Instituto Hispánico del Arroz, S.A. lost that status, Grupo Tradifin, S.L. and Heralianz Investing Group, S.L. remained directors by virtue of their status of significant shareholders of the company. They each have a 7.961% interest in Ebro Foods, S.A. See Explanatory Note One in section H of this report.

C.1.8 Explain, if appropriate, why proprietary directors have been appointed at the request of shareholders holding less than 3% of the capital:

State whether any formal requests for presence on the board have been rejected from shareholders holding interests equal to or greater than others at whose request proprietary directors have been appointed. If appropriate, explain why such requests were not met:

YES NO

C.1.9 State whether any director has retired before the end of his/her term of office, whether said director explained the reasons for such decision to the Board and through what means, and if the explanations were sent in writing to the entire Board, explain below at least the reasons given by the director:

Name of director:

HISPAFOODS INVEST, S.L.

Reason for retirement:

Hispafoods Invest, S.L. tendered its resignation on 21 December 2016 in a letter addressed to all the directors, owing to the corporate restructuring made in its Group.

See Explanatory Note One in section H of this report.

Name of director:

INSTITUTO HISPÁNICO DEL ARROZ, S.A.

Reason for retirement:

Instituto Hispánico del Arroz, S.A. tendered its resignation on 21 December 2016 in a letter addressed

to all the directors, owing to the corporate restructuring made in its Group.

That restructuring entailed the transfer, as of 28 December 2016, of all its shares in Ebro Foods, S.A. (15.92%) to Grupo Tradifin, S.L. (7.961%) and Heralcianz, Investing Group, S.L. (7.961%).

See Explanatory Note One in section H of this report.

C.1.10 Indicate the powers delegated to the Managing Director(s), if any:

C.1.11 Name Board members, if any, who are also directors or executives of other companies in the same group as the listed company:

Name of director	Name of Group company	Position	Has executive duties?
ANTONIO HERNÁNDEZ CALLEJAS	VOGAN, LTD	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	JOSEPH HEAP PROPERTY, LTD	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	JOSEPH HEAP&SONS, LTD	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	A W MELLISH, LTD	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	ANGLO AUSTRALIAN RICE LTD	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	SOS CUETARA USA, INC	CHAIRMAN	YES
ANTONIO HERNÁNDEZ CALLEJAS	NEW WORLD PASTA COMPANY	CHAIRMAN	YES
ANTONIO HERNÁNDEZ CALLEJAS	EBRO AMERICA, INC.	CHAIRMAN	YES
ANTONIO HERNÁNDEZ CALLEJAS	HEAP COMET, LTD	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	RIVIANA FOODS, INC.	CHAIRMAN	YES
ANTONIO HERNÁNDEZ CALLEJAS	AMERICAN RICE, INC.	CHAIRMAN	YES
ANTONIO HERNÁNDEZ CALLEJAS	PASTIFICIO LUCIO GAROFALO, S.P.A.	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	N&C BOOST, N.V.	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	BOOST NUTRITION, C.V.	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	BOSTO PANZANI BENILUX, N.V.	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	BLUE RIBBON MILLS, INC.	CHAIRMAN	YES
ANTONIO HERNÁNDEZ CALLEJAS	EBRO FOODS, GMBH	JOINT & SEVERAL DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	T.A.G. NAHRUNGSMITTEL, GMBH	JOINT & SEVERAL DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	BERTOLINI IMPORT UND EXPORT, GMBH	JOINT & SEVERAL DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	PANZANI, S.A.S.	DIRECTOR	YES

Name of director	Name of Group company	Position	Has executive duties?
ANTONIO HERNÁNDEZ CALLEJAS	S&B HERBA FOODS, LTD	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	ARROZEIRAS MUNDIARROZ. S.A.	CHAIRMAN	YES
ANTONIO HERNÁNDEZ CALLEJAS	HERBA GERMANY, GMBH	JOINT & SEVERAL DIRECTOR	YES

C.1.12 Name the company directors, if any, who are on the Boards of non-group companies listed on Spanish stock exchanges, insofar as the company has been notified:

Name of Director	Listed Company	Position
DEMETRIO CARCELLER ARCE	SACYR, S.A.	VICE-CHAIRMAN 1
JOSÉ NIETO DE LA CIERVA	CORPORACIÓN FINANCIERA ALBA, S.A.	DIRECTOR
EUGENIO RUIZ-GÁLVEZ PRIEGO	PROSEGUR, COMPAÑÍA DE SEGURIDAD, S.A.	DIRECTOR
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	ENCE ENERGÍA Y CELULOSA, S.A.	DIRECTOR
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	COCA-COLA EUROPEAN PARTNERS	DIRECTOR

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

YES NO

Explanation of the rules

Article 32.2 of the Regulations of the Board establishes, in the "General Duties of Directors" that Directors shall dedicate to the company such attention and time as may be necessary to guarantee the effective and adequate fulfilment of each and all of the duties corresponding to their position. Consequently, the maximum number of other directorships they may hold will be such as to ensure that they are able at all times to meet each and all of their obligations to the company.

C.1.14 Repealed.

C.1.15 Indicate the overall remuneration of the board:

Remuneration of the board (thousand euros)	5,672
Amount of the vested rights of current directors in pension schemes (thousand euros)	0
Amount of the vested rights of former directors in pension schemes (thousand euros)	0

C.1.16 Name the members of top management who are not executive directors and indicate the aggregate remuneration accrued in their favour during the year:

Name	Position
ANA MARÍA ANTEQUERA PARDO	MANAGER COMMUNICATIONS
LUIS PEÑA PAZOS	SECRETARY OF THE COMPANY AND BOARD
LEONARDO ÁLVAREZ ARIAS	MANAGER I.T.
PABLO ALBENDEA SOLÍS	CHIEF OPERATING OFFICER
ALFONSO FUERTES BARRÓ	FINANCE MANAGER
GABRIEL SOLÍS PABLOS	TAX MANAGER
YOLANDA DE LA MORENA CEREZO	VICE-SECRETARY OF THE BOARD
GLORIA RODRÍGUEZ PATA	CORPORATE ASSETS MANAGER
JESÚS DE ZABALA BAZÁN	MANAGER INTERNAL AUDIT
MANUEL GONZÁLEZ DE LUNA	MANAGER INVESTOR RELATIONS AND FINANCIAL INSTITUTIONS

Total remuneration top management (thousand euro)	2,164
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C.1.17 Name any board members who are also on the boards of companies holding significant interests in the listed company and/or in companies of its group:

Name of director	Name of significant shareholder	Position
DEMETRIO CARCELLER ARCE	SOCIEDAD ANÓNIMA DAMM	CHAIRMAN
JOSÉ NIETO DE LA CIERVA	CORPORACIÓN FINANCIERA ALBA, S.A.	DIRECTOR
JOSÉ NIETO DE LA CIERVA	BANCA INVERDIS, S.A.	CHAIRMAN
RUDOLF-AUGUST OETKER	SOCIEDAD ANÓNIMA DAMM	DIRECTOR

Describe the significant relationships of the board members with the controlling shareholders and/or companies in their group, other than as mentioned above:

Name of director

DEMETRIO CARCELLER ARCE

Name of significant shareholder

SOCIEDAD ANÓNIMA DAMM

Description of relationship

Demetrio Carceller Arce has an interest of 0.737% in Sociedad Anónima Damm

Name of director

ALIMENTOS Y ACEITES, S.A.

Name of significant shareholder

SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES

Description of relationship

Sociedad Estatal de Participaciones Industriales has a direct interest of 91.9625% in Alimentos y Aceites, S.A. and its company secretary and secretary of the board, Concepción Ordiz Fuertes, represents Alimentos y Aceites, S.A. on the board of Ebro Foods, S.A.

Name of director

EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.U.

Name of significant shareholder

JUAN LUIS GÓMEZ-TRENOR FOS

Description of relationship

At 31 December 2016, Juan Luis Gómez-Trenor Fos wholly owned Empresas Comerciales e Industriales Valencianas, S.L.U. and was its Sole Director. See Explanatory Note One in section H of this report.

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

YES NO

C.1.19 Describe the procedures for selection, appointment, re-election, assessment and removal of directors. Indicate the competent bodies, the formalities and the criteria to be followed in each of these procedures.

The procedures for selection, appointment, re-election, assessment and removal of the directors are regulated in the Articles of Association and the Regulations of the Board.

There is also now a Policy for Selecting Candidates to be Directors of Ebro Foods, S.A., which specifically and verifiably establishes the basic criteria and principles to be followed in the selection of candidates. The Policy is applicable in the appointment, ratification and re-election of directors by the General Meeting and any appointments made by the Board by cooptation in the event of a vacancy pre-term. For candidates who are legal persons, the principles and criteria of the Policy must be observed in respect of the individuals representing them on 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 also appoint directors by cooptation, subject to a report by the Nomination and Remuneration Committee and by the Board of Directors on the terms stipulated in law.

In any case, 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, or by the Nomination and Remuneration Committee in the case of independent directors, must be persons of recognised repute, with adequate experience and expertise to be able to perform their duties.

See the duties of the Nomination and Remuneration Committee in Explanatory Note Eight of section H regarding the role of that Committee in the appointment of directors.

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 appointment and re-election procedure shall be preceded by the corresponding reports from the Nomination and Remuneration Committee and the Board, on the terms stipulated in law.

The Board regularly (annually) rates the Board, Chairman and Committees on their efficiency and fulfilment of their obligations, requesting the corresponding reports from its Committees and, if considered necessary, proposing 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 the Regulations of the Board.

C.1.20 Explain to what extent the annual assessment of the board has given rise to major changes in its internal organisation and the procedures applicable to its activities.

Description of modifications

It has not given rise to any change.

C.1.20.bis Describe the process of assessment and the areas assessed by the board, assisted where necessary by an external consultant, on diversity in its composition and powers, the procedure and composition of its committees, the performance by the chairman of the board and CEO of the company and the performance and contribution of each director.

A) Process of self-assessment:

A self-assessment process is carried out every year on the Board, its Committees and the executive chairman of the company. That process is based on (i) a report prepared by the Nomination and Remuneration Committee for presentation to the Board, (ii) the activity reports of the Audit and Compliance Committee and the Nomination and Remuneration Committee, and (iii) the resolutions adopted by the Board of Directors in view of the foregoing.

B) Methods used:

The Board members complete a questionnaire rating certain aspects regarding the quality and efficiency of the Board procedures, the actions performed by the chairman of the board, who is at the same time the chief executive of the company, and the procedure of the Executive Committee and other Board Committees.

They can also make other comments, should they deem fit, on the functioning of the Board, its Committees and the Executive Chairman.

C) Areas assessed:

- Composition of the Board and actions by the Directors: assessment on the quantitative and qualitative composition of the Board and their perception of the performance by other directors of their duties.
- Procedure of the Board: assessment of the functioning of the Board, frequency of meetings, procedure for calling meetings, remittance of documentation for the meetings and quality of those documents, transaction of business within the Board and powers of the Board.
- Chairman of the Board: assessment on the dedication and actions by the Chairman, both as such and in his capacity as chief executive of the company.
- Committees of the Board: assessment of the directors' perception, from the Board, of the role of the Board Committees and perception of the members of the Board Committees on their functioning.

C.1.20.ter Describe, where appropriate, any business relations between the consultant or any company in its group with the company or any other company in its group.

No assistance was received from external consultants in the assessment of the Board, its Committees and its Chairman in 2016.

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

The retirement and resignation of directors are regulated in Article 31 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 all 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.

C.1.22 Repealed.

C.1.23 Are special majorities differing from those stipulated in law required for any type of decision?

YES NO

If yes, describe the differences:

C.1.24 Are there any specific requirements, other than those established for directors, to be appointed Chairman?

YES NO

C.1.25 Does the Chairman have a casting vote?

YES NO

C.1.26 Do the Articles of Association or Regulations of the Board establish an age limit for directors?

YES NO

C.1.27 Do the Articles of Association or Regulations of the Board establish a limited term of office for independent directors other than as stipulated in law?

YES NO

C.1.28 Do the Articles of Association or Regulations of the Board establish specific rules for the delegation of votes at board meetings, how they are to be delegated and, in particular, the maximum number of delegations that a director may hold, and whether any limitation has been established regarding the categories to which proxies may be granted, other than those established in law? If yes, include a brief description.

Both the Articles of Association (Article 24) and the Regulations of the Board (Article 20) contemplate the possibility of directors attending Board meetings through a duly authorised proxy.

The proxy must be made in advance, in writing, especially for each board meeting, in favour of another director.

The represented director may issue specific voting instructions for any or all of the items on the agenda.

Non-executive directors may only grant proxies to other non-executive directors.

No limit is established on the number of proxies any one director may hold, or any limitation on the categories to which proxies may be granted, other than as stipulated by law.

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

Number of board meetings	11
Number of board meetings held without the chairman	0

If the chairman is an executive director, indicate the number of meetings held without the attendance or representation of any executive director and chaired by the lead independent director.

Number of meetings	0
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Indicate the number of meetings held by the different Committees of the Board:

Committee	No. meetings
EXECUTIVE COMMITTEE	7
AUDIT AND COMPLIANCE COMMITTEE	7
NOMINATION AND REMUNERATION COMMITTEE	6
STRATEGY AND INVESTMENT COMMITTEE	1

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

Number of meetings attended by all the directors	9
% attendance over total votes during the year	97.79%

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

YES NO

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

C.1.32 Explain the mechanisms, if any, established by the Board to avoid a qualified auditors' report on the separate and consolidated accounts laid before the General Meeting.

Relations with the auditors are expressly regulated in Article 43 of the Regulations of the Board.

The Board shall establish an objective, professional and continuous relationship with the external auditors of the company appointed by the general meeting, guaranteeing their independence and providing them with all the information they may require to perform their duties. This relationship and the relationship with the Internal Audit Manager shall be channelled through the Audit and Compliance Committee. Furthermore, 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 9 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 24.4 of the Regulations of the Board gives the Audit and Compliance Committee certain powers to ensure that the Annual Accounts are filed without a qualified auditors' report (see section C.2.4 of this Report).

Finally, there is a Risks Control and Management Policy established in the Group laying down the basic principles and the general framework for control and management of the business risks, including tax risks, and internal control of financial reporting to which the Company and other companies in its group are exposed.

As regards the control of financial reporting, the Group has procedures in place for checking and authorising financial reporting and a description of the financial reporting internal control system (FRICS), responsibility for which lies with the Economic and Finance Department, the Risks Committee, the economic and finance departments of the different business units, the Audit and Compliance Committee and the Board. Financial information is checked and authorised up by the Economic and Finance Department of the Group on the basis of the information confirmed in the different business units. The information to be remitted to the market is supervised by the Audit and Compliance Committee and approved by the Board.

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

YES NO

If the secretary is not a director, complete the following table:

Name of Secretary	Representative
LUIS PEÑA PAZOS	

C.1.34 Repealed.

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

A. With regard to the external auditors:

Both the Articles of Association and the Regulations of the Board vest in the Audit and Compliance Committee the power, among others, to contact the auditors and receive information on any issues that may jeopardise their independence, for examination by the Audit Committee, as well as any other issues relating to the auditing of accounts. The Committee shall also receive information from and exchange communications with the auditors in accordance with prevailing auditing standards and legislation, notwithstanding the ultimate responsibility of the Board, which, pursuant to Article 8.1.3.(a) of the Regulations of the Board is responsible for ensuring the independence and professional suitability of the External Auditor.

Article 43 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 24.4 of the Regulations of the Board establish the following powers of the Audit and Compliance Committee in this respect:

- Supervise and promote the policies, procedures and systems used for drawing up and controlling the company's financial information, checking the services performed in this regard by the Internal Audit Department, the Financial Department and the Management Committee and making sure they are correctly distributed throughout the Group.
- 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.
- Ensure that (i) the systems used for preparing the separate and consolidated Annual Accounts and Directors' Report submitted to the Board to be 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; and (ii) the Board of Directors endeavours to submit the annual accounts to the General Meeting with an unqualified auditors' report.

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.

- 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.
- Be informed of the decisions adopted by the senior management according to recommendations made by the external auditors in connection with the audit.
- Ensure the independence of the external auditors and the existence of a discussion procedure enabling the external auditors, the Internal Audit Department and any other expert to inform the company of any significant weaknesses in its internal control detected while checking the annual accounts or any other processes in which they have worked. The Committee shall issue an annual report, prior to issuance of the auditor's report, expressing an opinion on the independence of the external auditors and any supplementary services they may have provided.

B. With regard to relations with analysts, investment banks and rating agencies:

The company has a Policy on Communication and Relations with Shareholders, Institutional Investors and Proxy Advisors approved by the Board, and a shareholder and investor relations department, through which communications and information for investors in general are channelled.

Article 42 of the Regulations of the Board regulates the company's relations with shareholders and the markets in general, providing that the Board shall take such measures as may be necessary to enable participation by shareholders in general meetings and organise meetings to inform the shareholders and investors (particularly institutional investors) on the progress of the company and, where appropriate, its subsidiaries.

The Policy on Communication and Relations with Shareholders, Institutional Investors and Proxy Advisors contemplates the following general principles applicable in this matter:

- Communication and relations with shareholders, institutional investors and proxy advisors shall be conducted in accordance with the principles of transparency, truth and permanent, adequate, timely reporting.
- The principle of non-discrimination and equal treatment is recognised for all shareholders who are in the same conditions and not affected by conflicts of interest or competence.
- The rights and legitimate interests of all shareholders shall be protected.
- Continuous, permanent communication with shareholders and investors shall be encouraged.
- Reporting and communication channels shall be established with shareholders and investors to ensure compliance with these principles.

The company's Audit and Compliance Committee is responsible for overseeing compliance with the rules and principles set out in the Policy on Communication and Relations with Shareholders, Institutional Investors and Proxy Advisors.

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

YES NO

Explain any disagreements with the outgoing auditor:

C.1.37 State whether the firm of auditors does any work for the company and/or its group other than standard audit work and if so, declare the amount of the fees received for such work and the percentage it represents of the total fees invoiced to the company and/or its group:

YES NO

	Company	Group	Total
Cost of work other than auditing (thousand euro)	137	327	464
Cost of work other than auditing / Total amount invoiced by the auditors (%)	52.49%	19.55%	23.99%

C.1.38 Indicate whether the auditors' report on the annual accounts of the previous year was qualified. If so, state the reasons given by the Chairman of the Audit Committee to explain the content and scope of the qualifications.

YES NO

C.1.39 State the number of years in succession that the current firm of auditors has been auditing the annual accounts of the company and/or its group. Indicate the ratio of the number of years audited by the current auditors to the total number of years that the annual accounts have been audited:

	Company	Group
Number of years in succession	3	3
Number of years audited by current auditors / Number of years that the company has been audited (%)	11.50%	11.50%

C.1.40 Indicate, giving details if appropriate, whether a procedure has been established for directors to receive external counselling:

YES NO

Details of procedure

The directors' right to counselling and information is regulated in Article 40 of the Regulations of the Board, which provides that:

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

- Considering the circumstances of the specific case, the Chairman may 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.

- The Chairman may also put the proposal to the Board, which may refuse to finance the counselling if (i) it is considered unnecessary for discharging the duties commissioned, (ii) the amount of finance required is considered out of proportion with the importance of the matter, or (iii) the Board considers that the technical assistance requested could be adequately provided by Company employees.

C.1.41 Indicate, with details if appropriate, whether there is an established procedure for directors to obtain sufficiently in advance any information they may need to prepare the meetings of the governing bodies:

YES NO

Details of procedure

Article 40 of the Regulations of the Board establishes the directors' right to counselling and information, providing that:

- Directors shall, whenever so required in the performance of their duties, have the fullest powers to obtain information on any matter whatsoever, obtaining such documents, records, background information or other elements as they may require in this respect. This right to information is extended to subsidiaries.

- All requests for information shall be addressed to the Chairman and met by the Secretary of the Board, who shall supply the information directly or indicate who is to be contacted within the Company and, in general, establish the necessary measures to fully meet the Director's right to information.

As a rule, all documents supporting the business to be transacted at board meetings are sent together with the notice of call.

C.1.42 Indicate, with details if appropriate, whether the company has established any rules obliging Directors to report and, if necessary, retire in any situations that could be detrimental to the prestige and reputation of the company:

YES NO

Explain the rules

Article 31 (Retirement of Directors) of the Regulations of the Board, in Chapter VII (Directors' Statute) provides as follows:

(i) Directors shall step down and tender their resignation when they are affected by one of the cases of incompatibility or disqualification established in law, the Articles of Association or these Regulations; and

(ii) If a Director is prosecuted or an order is passed to commence trial against him for any offences contemplated in the applicable laws and regulations, he shall notify the Board as promptly as he is able. The Board shall study the case as soon as possible and, in view of the specific circumstances, decide whether or not that Director should remain in office, reporting on that decision and the underlying reasons in the Annual Corporate Governance Report.

C.1.43 Have any members of the Board informed the company that they have been sued or brought to trial for any of the offences contemplated in s. 213 of the Corporate Enterprises Act?

YES NO

State whether the Board has studied the case. If so, indicate and explain the decision made as to whether or not the director should remain in office or, if appropriate, describe the actions taken by the board up to the date of this report, or which it plans to take.

C.1.44 Describe any significant agreements entered into by the company which enter into force, are modified or terminated in the event of a takeover of the company following a takeover bid, and the effects thereof.

Most of the financing agreements signed by the company include takeover clauses on the usual terms for this type of contract. By virtue of those provisions, the lender reserves the right to terminate the financing agreement in the event of a takeover of the company. Although there is no uniform definition of "takeover" for this purpose, the lender's right is triggered if there is a substantial change in the company's controlling shareholders.

C.1.45 Indicate globally and describe in detail any agreements made between the company and its directors, executives or employees contemplating golden handshake clauses in the event of resignation or unfair dismissal or termination of employment following a takeover bid or any other type of transaction.

Number of beneficiaries: 2

Type of beneficiary:

Executives

Description of the agreement:

Golden handshake clauses are established for two non-director executives in the event of dismissal or takeover in excess of the amount that would be payable pursuant to the labour laws currently in place.

State whether these contracts have to be notified to and/or approved by the governing bodies of the company/group companies:

	Board of Directors	General Meeting
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Body authorising the clauses	Yes	No
	Yes	No
Is the General Meeting informed on the clauses?	X	

C.2 Committees of the Board

C.2.1 Give details of the different committees, their members and the proportion of executive, proprietary, independent and other non-executive directors in each committee:

EXECUTIVE COMMITTEE

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

% executive directors	25.00%
% proprietary directors	50.00%
% independent directors	25.00%
% other non-executive directors	0.00%

Explain the duties attributed to this committee, describe the procedures and rules of organisation and procedure and summarise its most important actions during the year.

The Executive Committee shall have no fewer than three nor more than seven members, including the Chairman and Vice-Chairman of the Board, who will form part of this Committee.

The Executive Committee shall be presided by the Chairman of the Board. In general, one Executive Committee meeting will be held a month. Its meetings may be attended by such members of the management, employees and advisers of the company as the Committee may deem fit.

The powers of the Executive Committee, its actions during 2016 and its composition at the date of this report are set out in Explanatory Note Eight in section H of this report.

State whether the composition of this committee reflects the participation in the Board of the different categories of director:

YES NO

AUDIT AND COMPLIANCE COMMITTEE

Name	Position	Type
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	CHAIRMAN	Independent
FERNANDO CASTELLÓ CLEMENTE	MEMBER	Independent
MERCEDES COSTA GARCÍA	MEMBER	Independent
EUGENIO RUIZ-GÁLVEZ PRIEGO	MEMBER	Other non-executive
GRUPO TRADIFÍN, S.L.	MEMBER	Proprietary

% proprietary directors	20.00%
% independent directors	60.00%
% other non-executive directors	20.00%

Explain the duties attributed to this committee, describe the procedures and rules of organisation and procedure and summarise its most important actions during the year.

This Committee has a minimum of three directors and a maximum of five.

All the members of this committee must be non-executive directors, the majority must be independent directors and one of the members must be appointed on account of his/her expertise and experience in accounting, auditing or both.

The Board shall appoint one of the independent directors on the Audit and Compliance Committee to chair that committee, subject to a report by the Nomination and Remuneration Committee. The Committee Chairman shall be replaced every four years and will become eligible for re-election one year after his retirement as such.

Meetings are held when called by its Chairman, or at the request of two of its members and at least once every three months. It shall also meet whenever so required by law or when the Board requests the issuance of reports, submission of proposals or adoption of resolutions within the scope of its duties.

The powers of the Audit and Compliance Committee, its actions during 2016 and its composition at the date of this report are set out in Explanatory Note Eight in section H of this report.

Name the member of the audit committee who has been appointed on account of his expertise and experience in accounting, auditing or both and indicate the number of years that the chairman of this committee has held this position:

Name of director with experience	JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL
No. years that the chairman has been in office	2

NOMINATION AND REMUNERATION COMMITTEE

Name	Position	Type
FERNANDO CASTELLÓ CLEMENTE	CHAIRMAN	Independent
DEMETRIO CARCELLER ARCE	MEMBER	Proprietary
JOSÉ ANTONIO SEGURADO GARCÍA	MEMBER	Independent
GRUPO TRADIFÍN, S.L.	MEMBER	Proprietary

% proprietary directors	50.00%
% independent directors	50.00%
% other non-executive directors	0.00%

Explain the duties attributed to this committee, describe the procedures and rules of organisation and procedure and summarise its most important actions during the year.

This Committee has a minimum of three and a maximum of five non-executive directors, at least two of which must be independent directors. The members are appointed by the Board in accordance with the provisions of law, the Articles of Association and the Regulations of the Board.

The Board shall appoint one of the independent directors who are members of the committee to chair it, subject to a report by that Committee.

Meetings are held when called by its Chairman, or at the request of two of its members and at least once every three months. It shall also meet whenever so required by law or when the Board requests the issuance of reports, submission of proposals or adoption of resolutions within the scope of its duties.

The powers of the Nomination and Remuneration Committee, its actions during 2016 and its composition at the date of this report are set out in Explanatory Note Eight in section H of this report.

STRATEGY AND INVESTMENT COMMITTEE

Name	Position	Type
DEMETRIO CARCELLER ARCE	CHAIRMAN	Proprietary
ANTONIO HERNÁNDEZ CALLEJAS	MEMBER	Executive
JOSÉ NIETO DE LA CIERVA	MEMBER	Proprietary
HERCALIANZ INVESTING GROUP, S.L.	MEMBER	Executive

% executive directors	50.00%
% proprietary directors	50.00%
% independent directors	0.00%
% other non-executive directors	0.00%

Explain the duties attributed to this committee, describe the procedures and rules of organisation and procedure and summarise its most important actions during the year.

This Committee has a minimum of three and a maximum of five directors, including a Chairman, appointed by the Board subject to a report by the Nomination and Remuneration Committee

Meetings are held when called by its Chairman, or at the request of two of its members and at least once every three months. It shall also meet whenever so required by law or when the Board requests the issuance of reports, submission of proposals or adoption of resolutions within the scope of its duties.

The powers of the Strategy and Investment Committee, its actions during 2016 and its composition at the date of this report are set out in Explanatory Note Eight in section H of this report.

C.2.2 Complete the following table with information on the number of female directors on the board committees over the past four years:

	Number of female directors							
	2016		2015		2014		2013	
	No.	%	No.	%	No.	%	No.	%
EXECUTIVE COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%
AUDIT AND COMPLIANCE COMMITTEE	2	40.00%	1	25.00%	2	40.00%	2	40.00%
NOMINATION AND REMUNERATION COMMITTEE	1	25.00%	1	25.00%	2	40.00%	2	40.00%
STRATEGY AND INVESTMENT COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%

C.2.3 Repealed.

C.2.4 Repealed.

C.2.5 Indicate the existence, if appropriate, of regulations of the board committees, where they are available for consultation and any modifications made during the year. State whether an annual report has been issued voluntarily on the activities of each committee.

In general, Article 28 of the Articles of Association establishes the basic regulation of the Committees of the Board, contemplating the existence and composition of (i) the Executive Committee, (ii) the Audit and Compliance Committee and (iii) the Nomination and Remuneration Committee. It also refers to the Regulations of the Board regarding the possible existence of a Strategy and Investment Committee.

The Regulations of the Board regulate the Board committees in the following specific provisions:

- General provisions applicable to all the committees: Article 22
- Executive Committee, Article 23
- Audit and Compliance Committee, Article 24
- Nomination and Remuneration Committee, Article 25
- Strategy and Investment Committee, Article 26

The Regulations of the Board also contemplate in different articles powers of the different Committees of the Board in different areas (e.g. modification of the Regulations).

Both the Articles of Association and the Regulations of the Board are permanently available for consultation on the company's website (www.ebrofoods.es), The Regulations of the Board are also published and available for consultation on the website of the National Securities Market Commission (www.cnmv.es).

Both the Audit and Compliance Committee and the Nomination and Remuneration Committee issue annual activity reports, which are submitted to the Board of Directors for its information and consideration within the assessment of the Board and its Committees. Those activity reports are made available for shareholders on the company's website (www.ebrofoods.es) coinciding with the call to the Annual General Meeting of Shareholders.

C.2.6 Repealed.

D. RELATED PARTY AND INTER-COMPANY TRANSACTIONS

D.1 Explain the procedure, if any, for approving related party and inter-company transactions.

Procedure for approving related party transactions

Apart from cases which, by law, require approval by the General Meeting, related party transactions are approved by the Board subject to a report by the Audit and Compliance Committee.

Article 24 of the Regulations of the Board establishes the power of the Audit and Compliance Committee to report to the Board prior to the adoption of any decisions on related party transactions submitted for its authorisation and to supervise and report to the Board on intragroup and related party transactions of the company or subsidiaries of the Group.

With regard to related party transactions, Article 37.3 of the Regulations of the Board expressly establishes that other than in the cases in which this power is reserved by law to the General Meeting, any transactions made by the company or group companies with directors, controlling shareholders, other related parties or shareholders represented on the Board must be authorised by the Board. That authorisation is not necessary when the transactions meet all of the following three conditions: (i) they are made under contracts with standard terms and conditions applied "en masse" to numerous clients; (ii) they are made at prices or rates established generally by the supplier of the goods or provider of the services in question. (iii) the amount thereof does not exceed 1% of the company's annual revenue.

General, prior authorisation by the Board for a line of transactions and their conditions, subject to a report by the Audit and Compliance Committee, will be sufficient for bilateral or recurring transactions made in the normal course of the company's business. Finally, in cases where urgent action is necessary, related party transactions may be authorised by the Executive Committee, subject to subsequent ratification by the Board.

Finally, the company makes intragroup transactions on arm's length terms, documenting them according to the requirements of the laws (essentially tax laws) in place in each jurisdiction. This is one of the practices required by the Risk Control and Management Policy established in the Ebro Group.

D.2 List any transactions for a significant amount or object between the company and/or companies in its group and controlling shareholders of the company:

Name of significant shareholder	Name of company or group company	Relationship	Type of transaction	Amount (thousand euro)
SOCIEDAD ANÓNIMA DAMM	HERBA RICEMILLS, S.L.U.	Contractual	Sale of goods (finished or otherwise)	5,334

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

Name of director or executive	Name of company or group company	Relationship	Type of transaction	Amount (thousand euro)
ANTONIO HERNÁNDEZ CALLEJAS	LUIS HERNÁNDEZ GONZÁLEZ	Relative	Operating leases	40
ANTONIO HERNÁNDEZ CALLEJAS	CARDENAL ILUNDAIN 4, S.L.	Corporate	Operating leases	72
GRUPO TRADIFÍN, S.L.	REAL CLUB DE GOLF DE SEVILLA, S.L.	Corporate	Services received	9
HERCALIANZ INVESTING GROUP, S.L.	INSTITUTO HISPÁNICO DEL ARROZ, S.A.	Corporate	Purchase of goods (finished or otherwise)	2,209
GRUPO TRADIFÍN, S.L.	INSTITUTO HISPÁNICO DEL ARROZ, S.A.	Corporate	Purchase of goods (finished or otherwise)	2,209
ALIMENTOS Y ACEITES, S.A.	-	-	Dividends and other distributions	8,608
FERNANDO CASTELLÓ CLEMENTE	-	-	Dividends and other distributions	1,246
ANTONIO HERNÁNDEZ CALLEJAS	ANTONIO HERNÁNDEZ GONZÁLEZ	Relative	Dividends and other distributions	6
ANTONIO HERNÁNDEZ CALLEJAS	LUIS HERNÁNDEZ GONZÁLEZ	Relative	Dividends and other distributions	7
JOSÉ NIETO DE LA CIERVA	-	-	Dividends and other distributions	5
JOSÉ NIETO DE LA CIERVA	M ^º MACARENA AGUIRRE GALATAS	Relative	Dividends and other distributions	1
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	-	-	Dividends and other distributions	2
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	LA FUENTE SALADA, S.L.	Corporate	Dividends and other distributions	1,927
JOSÉ ANTONIO SEGURADO GARCÍA	-	-	Dividends and other distributions	2
JOSÉ ANTONIO SEGURADO GARCÍA	SEGURIDAD Y GALOBART, S.L.	Corporate	Dividends and other distributions	1
EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.U.	-	-	Dividends and other distributions	5,988

D.4 Report any significant transactions with other companies in the group that are not eliminated in the consolidated financial statements and which do not, by virtue of their object or terms, correspond to the normal business of the Company:

In any case, inform on any inter-company transaction with companies established in countries or territories considered tax havens:

D.5 State the amount of transactions made with other related parties.

318 (thousand euros).

D.6 Describe the mechanisms established to detect, define and resolve possible conflicts of interest between the company and/or its group, and its directors, executives or controlling shareholders:

Apart from the powers of the General Meeting and the Board of Directors on conflicts of interest of the directors, under Article 24 of the Regulations of the Board, the Audit and Compliance Committee has the power to settle any conflicts of interest that may arise between the company or the group and its directors, executives, significant shareholders and listed subsidiaries, if any.

With regard to the directors, Article 36 of the Regulations of the Board provides that directors may not perform activities for their own or third party account that effectively or potentially compete with the company or which otherwise puts them in a permanent conflict of interest with the company; and Article 37.1 establishes the obligation of directors to take such measures as may be necessary to avoid falling into situations in which their interests, for their own or third party account, may conflict with the corporate interests and their duties to the company.

For this purpose, Article 38 of the Regulations stipulates that directors shall inform the Board of any direct or indirect conflict of interest that they or any of their related parties may have with the company. Furthermore, pursuant to Article 32.4 of the Regulations, directors shall abstain from participating in the corresponding debates and voting on resolutions or decisions in which they or any person related to them has a direct or indirect conflict of interest, except in the cases in which they are authorised by law to participate in the discussion and voting.

Rule 13 of the current Internal Code of Market Conduct stipulates that any Relevant Persons (directors, senior executives and their closely related parties) who are or may be in a conflict of interest shall (i) Inform the Compliance Unit of their situation; (ii) abstain from participating in or influencing any decisions on the matters affected by the conflict; (iii) act with freedom of judgement, loyalty to the Company and its shareholders and independently of their own interests; and (iv) abstain from requesting or having access to any information or documentation related with the conflict of interest. It also provides that the Audit and Compliance Committee, assisted by the Compliance Unit, shall make such decisions as may be necessary in respect of any conflicts of interest that may arise.

Without prejudice to their obligation to inform, both the directors (and in the case of corporate directors, also their representatives on the board) and the significant shareholders of the company are asked each year, when drawing up the Annual Accounts and preparing the Annual Corporate Governance Report, for confirmation of any transactions that they may have made with the company and/or other companies in the group, their engagement in activities similar or complementary to those included in the company's objects and that there have been no other conflicts of interest during the year.

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

YES NO

Name any subsidiaries listed in Spain:

Listed subsidiary

State whether the respective areas of business and possible business relationships between them have been precisely and publicly defined, as well as those of the listed subsidiary with other group companies;

Define any business relationships between the parent company and the listed subsidiary and between the latter and the other group companies

Describe the mechanisms in place to settle any possible conflicts of interest between the listed subsidiary and other companies in the group:

Mechanisms for solving possible conflicts of interest

E. RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Explain the scope of the company's Risk Management System, including tax risks.

As an integral part of the corporate policies passed by the Board, the Risk Control and Management Policy lays down the basic principles and the general framework for control and management of the business risks, including tax risks, and internal control of financial reporting to which Ebro Foods, S.A. and other companies in its group are exposed.

Within this general framework, the integral, homogenous Risk Control and Management System is based on the preparation of a business risk map, through which, by pinpointing, assessing and grading of the risk management capacity, the risks are ranked from greater to lesser impact for the Group and by probability of occurrence. The risk map also identifies methods for mitigating or neutralising the risks detected.

The risk universe is structured in four main groups: compliance, operational, strategic and financial, and they are all subdivided into a large number of categories.

The risk classification process dynamically assesses both the inherent risk and the residual risk after application of the internal controls and action protocols established to mitigate them. These controls include preventive controls, adequate separation of duties, clear levels of authorisation and definition of policies and procedures. These controls can in turn be grouped into manual and automatic, made by data processing applications.

This model is both qualitative and quantitative and can be measured in the Group's results, for which purpose the risk level is considered acceptable or tolerable on a corporate level.

The Risk Control and Management System is dynamic, so the risks to be considered will vary according to the circumstances in which the Group's business is performed.

E.2 Name the corporate bodies responsible for preparing and implementing the Risk Management System, including tax risks.

The System for Control and Management of Risks, including tax risks, and control of financial reporting is based essentially on the following structure:

- The Board of Directors, as ultimately responsible, defines the policy for control and management of risks, including tax risks, and control of financial reporting. Article 17.3 of the Regulations of the Board provide 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.
- The Audit and Compliance Committee, through the Risks Committee, performs the duties of oversight and monitoring of the financial reporting and risk control systems, reporting regularly to the Board on any significant aspects arising in these areas. It is responsible for supervising and promoting internal control of the company and the risk management systems and submitting recommendations to the Board on the risk control and management policy and possible mitigation measures in those areas.
- The Risks Committee, based on the policy established by the Board and under the supervision of and reporting to the Audit Committee, is specifically responsible for coordinating and monitoring the system for control and management of risks, including tax risks, and control of the Group's financial reporting. The Risks Committee also analyses and assesses the risks associated with new investments.
- The Management Committees of the different units, on which the Chairman of the Board and the Chief Operating Office (COO) sit, assess the risks and decide on mitigation measures.
- Risk officers in the different units. The Risks Committee nominates individuals in the major subsidiaries to monitor the systems for control and management of risks, including tax risks, and control of the financial reporting and reporting to the Committee.
- Internal Audit Department. Within the internal audits of the different subsidiaries, the Company's Internal Audit Department checks that the testing and control of the financial reporting and risk management systems have been performed adequately in accordance with the indications by the Risks Committee.

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

A. Operational risks:

- Food safety: Owing to the nature of the Group's business, aspects regarding food safety are a critical point to which the Group pays the utmost attention, as it is bound by a large number of laws and standards in each of the countries in which the Group's products are put on the market.
- Commodity supply risk: The availability of commodities in the quantity and quality required to meet our commitments to customers and the requirements of our brands is a key factor for our business both nationally (Spanish paddy rice) and internationally (semi-processed rice for the Group subsidiaries).
- Market risk (prices): Unexpected variations in the prices of our commodity supplies may seriously affect the profitability of our commercial transactions, in both the industrial and brand-based segments. The main risk lies in the prices of the different rice varieties and durum wheat, although it extends also to other materials consumed, such as packaging material and oil derivatives.
- Customer concentration risk: The concentration of customers, which can occur in both the industrial and brand segments, may lead to less favourable commercial terms for our sales and affect our credit risk.
- Technological risk. In our sector, one of the most important tools for competing with our rivals is based on constant technological innovation and searching for ways to adapt to consumers' desires. Consequently, "technological lag" is considered a possible risk.

B. Risks related with the environment and strategy:

- Environmental risks: Respect for the environment is another critical point for the Group, considering our industrial activity, with a large number of plants distributed internationally. We aim to adopt a set of good practices, complying scrupulously with the law.
- Climate risk: The effects of droughts, flooding and other weather perils in the countries where we source our supplies can cause problems of availability and unstable commodity prices, in both rice and durum wheat.
- Competition risk: In general, the pressure from white label brands is the main threat for maintaining the market shares of the Group's brands.
- Reputational risk: This is the risk associated with changes of opinion resulting in a negative perception of the Group, its brands or products by customers, shareholders, suppliers, market analysts, employees, institutions, etc., as they may adversely affect the Group's ability to maintain its commercial and financial relations or its interaction with social partners.
- Changes in lifestyle: The proliferation of low carbohydrate diets or other food habits could alter consumers' perception of our products.
- Country or market risk. Owing to the international nature of the Group's activities, political and economic circumstances in the different countries in which we operate and other market variables, such as exchange rates, interest rates, costs of production, etc. may affect our business.
- Natural disasters, fires, etc.: As a major industrial group, a significant part of the assets on the Group's balance sheet corresponds to its factories, so any natural incidents (earthquakes, fires or similar) that may affect the integrity of the Group's plants are a business risk.

C. Compliance risks:

- Sectoral regulatory risk: The food industry is a sector subject to numerous regulations affecting export and import quotas, customs duties, intervention prices, etc., subject to the directives laid down in the Common Agricultural Policy (CAP). The Group's activity may also be affected by changes in legislation in the countries in which it sources raw materials or sells its products.
- General regulatory risk: These include risks of compliance with civil, commercial, criminal and good governance provisions. In the area of criminal risks, the Group has a Crime Prevention Model, monitored and controlled by the Compliance Unit. At the date of this report, the Compliance Unit is working on the preparation of a criminal risks training plan for employees.
- Tax risks: Any changes in the tax laws or the interpretation or application thereof by the competent authorities in the countries in which the Group operates could affect its earnings.

D. Financial risks:

This group includes foreign exchange, interest rate, liquidity and credit risks. The foreign exchange risk is particularly significant because the functional currency of the Group is the euro, but a considerable part of its commodity supply transactions are in US dollars and a very large part of the Group's investments are also in that currency.

E.4 State whether the company has a risk tolerance level, including one for tax risks.

Risks are measured by both inherent and residual risk.

A scorecard is made each year of the principal ten risks to which the Group may be exposed (the TOP TEN), which are rated and measured as far as possible. If the economic consequences of a risk could cause a loss (or a loss of profit) of more than 5% of the consolidated EBITDA budgeted, or over 20% of the individual EBITDA of a business, it is considered a threat requiring corporate action.

In general, the heads of the different business units (the Management Committee of each unit) define the risks affecting their respective businesses, assess the possible economic impact of those risks and, according to the specific circumstances prevailing, establish whatever mitigation measures they deem fit. Without prejudice to the supervision by the Risks Committee and Audit Committee, the Management Committee of each unit implements and monitors the mitigation measures taken and assesses the results thereof.

This notwithstanding, when a threat is identified that requires action on a corporate level (as mentioned in the first paragraph above), the persons responsible for risk control and management in the corresponding unit inform the Risks Committee of the situation, proposing such mitigation measures as may be considered adequate. The Risks Committee assesses the situation and the sufficiency and suitability of the proposed mitigation measures, supplementing them with additional measures should it deem fit.

E.5 What risks, including tax risks, have occurred during the year?

The abundant spring rainfall in Texas caused a delay in the crop dates of a local variety and a smaller harvest than usual. The combination of circumstances produced a smaller supply and an increase in commodity prices. In response to this, alternative sourcing was sought and the expenditure related with this product was strictly controlled, in an effort to maintain or even increase our market share and mitigate the effect on our profit and loss account.

At the beginning of the year, some of the distributors of our sauces in France decided to reduce the number of references available on the shelves, alleging that the returns on those products were lower than their targets. As a result, our market share dropped by three percentage points in the first half of the year. Our response was to implement a broad array of actions, consisting of renovating references, introducing new recipes and changing the formats, so that distribution could set better prices and obtain greater margins. By year-end, two of the percentage points lost had been recovered.

The rice sector faces the ban in the European Union, as from the 2017 crop, of a pesticide used in the sector to control *Pyricularia Stativae*. This ban puts the supply of raw materials at risk and, since compliance is passed on to marketing of the product, may constitute a regulatory and reputational risk. This situation has been tackled from three fronts: by making growers aware of the need to change crop treatment, accompanying and advising lawmakers on the inception of the new provisions and pointing out the possible consequences, and finally, subscribing local initiatives and collaboration with different entities to research and develop alternative treatments.

During the year we have witnessed situations that we classify as country or market risk. The most well-known situation was the outcome of the referendum for the UK to pull out of the European Union. This creates a considerable number of uncertainties that have not yet been clarified, the solving and possible impact of which will depend largely on the conditions agreed by the parties to that process. There are numerous risks, although at year-end the only one that has materialised is that deriving from the devaluation of sterling against the euro and the US dollar, which are the currencies used to supply rice for the Group's subsidiary in the UK. The local risks committee is monitoring the situation, putting questions to the members of parliament and trying to minimise the impact of exchange rate variations through a hedging policy.

Some of our companies suffered especially aggressive competition during the year. This has been particularly severe and extended in Canada, where this tough competition has put additional pressure on retail prices and promotional activity in this segment. In response to this challenge, the number of exclusivity agreements and private label production agreements was stepped up to guarantee an adequate volume of production in the medium time and secure medium and long-term profitability. This has enabled us to maintain our leadership of the market and stabilise earnings.

The Canadian dollar showed continuous signs of weakness against the US dollar in late 2015-early 2016, due to low commodity prices (especially oil) and the later economic recovery than that of its neighbouring country and main client.

Our Canadian subsidiary purchases a significant part of its raw materials in US dollars and this volatility created a considerable foreign exchange risk in purchase prices.

To mitigate this risk, our subsidiary arranged a number of exchange rate hedges, which stabilised the prices of its purchase commitments, although when the relative exchange rates changed in the second half of the year, it had to maintain contracts that were more expensive than spot trading.

E.6 Explain the response and supervision plans for the main risks, including tax risks, to which the company is exposed.

The management committee in each subsidiary is responsible for monitoring the subsidiary's risk supervision system. Management committees usually meet monthly to analyse any risks that may have materialised and follow up the contingency plans and actions taken to mitigate them. Control and monitoring of the economic variables in each subsidiary against the corresponding budget also ensures the immediate detection of unforeseen risk situations. The subsidiaries with greatest weight within the Group, such as the North American subsidiaries, have "Crisis Management Plans" (CMP), which specify the main risks to which the company is exposed, the protocols for responding to them and the company officers responsible for implementation.

This notwithstanding, when a threat is identified that requires action on a corporate level (see section E.4), the persons responsible for risk control and management in the corresponding unit inform the Risks Committee of the situation, proposing such mitigation measures as may be considered adequate. The Risks Committee assesses the situation and the sufficiency and suitability of the proposed mitigation measures, supplementing them with additional measures should it deem fit.

The measures to control, reduce and, as the case may be, mitigate the risks are established according to the following basic criteria:

- They shall seek to neutralise the risk detected, maintaining coherence between the importance of the risk and the cost and means required to neutralise it.
- If neutralisation is not feasible, measures shall be designed to reduce the potential economic consequences, if possible to within tolerance levels.
- The management and control shall, as far as possible, forestall rather than remedy.
- The control mechanisms shall adequately separate management and oversight.
- The different people responsible for risk management shall coordinate their actions to be efficient, seeking the utmost integration between control systems.
- Maximum transparency shall be ensured in the identification and assessment of risks, specification and implementation of mitigation measures and assessment of the results of those measures.
- Compliance must be guaranteed with the internal reporting requirements to the bodies responsible for supervision and control.

F FINANCIAL REPORTING INTERNAL RISK CONTROL AND MANAGEMENT SYSTEM (FRICS)

Describe the mechanisms comprising the financial reporting internal control and risk management systems (FRICS) of your company

F.1 Control environment

Report on at least the following, describing their principal features:

F.1.1 What bodies and/or duties are responsible for: (i) the existence and maintenance of an adequate and effective FRICS; (ii) its implementation; and (iii) its oversight?

As established in its Regulations, the Board of Directors is ultimately responsible for the existence, maintenance and oversight of an adequate, effective financial reporting internal control system (FRICS).

The Audit and Compliance Committee is responsible for: (i) supervising and promoting the procedures and systems used to prepare and control the company's financial reporting; (ii) checking any public financial reporting; and (iii) ensuring implementation of and compliance with the internal regulations and codes applicable to the risk control and management systems in relation to the financial reporting process.

The Management Committee is responsible for the design, implementation and functioning of the FRICS through the Group Finance Department and the Finance Departments of the different business units. The different general managements are responsible for effective implementation of these systems within their respective areas of activity. There are also officers responsible for the different processes documented within the FRICS, who must ensure that those processes are kept up to date, informing the Risks Committee, through the finance department and general management of the corresponding business unit, of any modifications or adaptations required.

The Risks Committee, reporting to the Audit and Compliance Committee, is specifically responsible for coordinating and monitoring the system for control and management of risks, including tax risks, and controlling the Group's financial reporting.

F.1.2 State whether the following elements exist, especially in respect of the financial reporting process:

- Departments and/or mechanisms responsible for: (i) designing and reviewing the organisational structure; (ii) clearly defining the lines of responsibility and authority, with an adequate distribution of tasks and duties; and (iii) ensuring that there are sufficient procedures for adequately informing the company.

As established in its Regulations, the board is responsible for defining the general strategy and guidelines for management of the company and encouraging and supervising the actions taken by the senior officers, establishing an organisational structure that will guarantee the utmost efficiency of the senior management and the management team in general.

According to the Regulations of the Board, the Nomination and Remuneration Committee is responsible for checking the criteria followed regarding the composition and structure of the board and for selecting candidates for the board. It also nominates the chairman, CEO or managing directors and secretary of the board and proposes the assignment of directors to the different board committees, the members of the Management Committee and any other advisory committees that the board may create.

In turn, under the policies approved by the Board, the Nomination and Remuneration Committee supervises the Senior Management of the group, both in appointments and removals and in assessing the senior executive remuneration and incentives policy.

Within each group company, the organisational structure of the units participating in the preparation of financial reporting depends on several factors, such as the volume of operations or type of business, but in all cases it corresponds to the need to cover the main duties of recording, preparing, checking and reporting the operations performed and the economic and financial position of the company. The executive directors and management of Ebro Foods participate actively in the management committees of the group's subsidiaries, thereby guaranteeing direct communication through the lines of responsibility and authority.

The senior management and the human resources departments of the Group and each of the subsidiaries are responsible for designing the organisational structure according to local needs, the most important subsidiaries having a formal definition through organisation charts, which include a description of the duties and responsibilities of the main areas participating in internal control of financial reporting.

The different job descriptions of positions and responsibilities are maintained by the human resources department of each subsidiary and the managements of all the subsidiaries, especially the financial managements, are informed of any new member of a subsidiary.

- Code of conduct, body responsible for its approval, degree of publicity and instruction, principles and values included (stating whether there is any specific mention of the recording of transactions and preparation of financial reporting), body responsible for analysing default and proposing corrective measures and penalties.

The Code of Conduct of the Ebro Group, an update of the earlier Codes of Ethics and Conduct drawn up by the Ebro Foods Group in 2003, 2008 and 2012, was approved by the board on 25 November 2015 and all levels of the organisation were notified.

The Code of Conduct provides guidance on how to act in the Group's internal and external relationships, strengthening the values that distinguish us and establishing a basic reference to be followed by the Group.

The Code aims to:

- Be a formal, institutional reference for personal and professional conduct.
- Guarantee the responsible, ethical behaviour of all the Group's professionals in their work.
- Reduce the element of subjectivity in personal interpretations of moral and ethical principles.
- Create a standardisation tool to guarantee progressive implementation throughout the Group of the ten principles of the UN Global Compact.
- Grow responsibly and committed to all our stakeholders.

As established in the Code of Conduct, the Group assumes a principle of conduct based on transparent reporting, consisting of an undertaking to report reliable financial, accounting or other information to the markets. Accordingly, the company's internal and external financial reporting will give a true and fair view of its real economic, financial and equity situation according to generally accepted accounting principles.

Employees formally sign the Code of Conduct when they join the workforce of most Group companies and all new Group employees during the year were informed of and given a copy of the Code.

The Code of Conduct is published in the Intranet, where it can be consulted by any employee, and on the Group's website.

The Audit and Compliance Committee is responsible for monitoring and controlling application of the Code. The Compliance Unit, which has sufficient initiative, autonomy and resources, is responsible, among other duties, for assisting the Audit and Compliance Committee in the supervision of compliance, publication and interpretation of the Code of Conduct.

The Audit and Compliance Committee has an e-mail address to which any Group employee may send queries and suggestions regarding the interpretation of the Code of Conduct.

The Audit and Compliance Committee reports regularly to the Group's Board of Directors 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.

The Code of Conduct provides that 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 and the remedial measures that may be established by the different Group companies in pursuance of prevailing laws. On a Group level, the Audit and Compliance Committee, assisted by the Compliance Unit, shall receive reports of any violation of the Code of Conduct and act accordingly.

- Whistleblowing channel, through which the audit committee can be informed of any financial or accounting irregularities, any breaches of the code of conduct and irregular activities within the organisation, indicating whether this channel is confidential.

As established in the Regulations of the Board, the Audit and Compliance Committee is formally responsible for implementing a confidential whistle-blowing channel accessible to all Group employees and defining a protocol for prioritising, processing, investigating and settling reports according to their importance and nature, especially any concerning possible financial or accounting misrepresentations.

For this purpose, the Ebro Group has established a whistle-blowing or reporting channel, through its 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 has a specific e-mail address through which any employees may report whatever conduct they may consider necessary and contact the Audit and Compliance Committee to inform on breaches of the code of conduct. Access to that e-mail account, technologically protected to prevent any unauthorised access, is limited exclusively to the Chairman of the Audit and Compliance Committee who, as an independent director, has no relationship with the management structure of the Group.

The Audit and Compliance Committee guarantees the confidentiality of the reports handled, according to a confidentiality commitment signed by all those involved in handling the reports and other

precautions included in the "Report Handling Protocol". That protocol, approved by the Audit and Compliance Committee in 2012, establishes the procedure to be followed on receiving reports, regarding their processing, prioritising, solving and notification.

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

The Ebro Group has a policy of making sure it has personnel with sufficient training and experience to perform the duties and responsibilities assigned to them. The Ebro employees involved in the preparation and checking of the financial information and FRICS evaluation participate in training and refresher courses regarding the laws and standards in place from time to time and good practices to guarantee the reliability of the financial information generated.

The Ebro Group also encourages and provides means and resources for its employees to keep their accounting knowledge up to date through the attendance of seminars, on-line information and other means and regular meetings are held with the external auditors to assess in advance the standards in place or those about to enter into force.

During the year the Ebro Group has focused its training for personnel involved in the preparation and checking of financial information and FRICS evaluation on the following aspects:

- Accounting updates
- Management and control of costs for business decision-making
- Training in the tax laws in different countries
- Financial reporting internal control system manual

In addition, the external auditors of the company and its group regularly attend the meetings of the Audit and Compliance Committee to give training on the principal novelties in accounting and auditing, especially those that have or may have a greater effect on the Group's accounts.

F.2 Measurement of risks in financial reporting

Report at least on:

F.2.1 What are the main features of the risk identification process, including risks of error or fraud, in respect of:

- Whether the process exists and is documented.

Within the risk control and management policy approved by the Board, the financial reporting internal control system is supervised by the Audit and Compliance Committee, assisted by the Risks Committee and the Group Finance Department.

The potential risk events that could affect the organisation are identified and assessed through the FRICS, pinpointing and assessing the risks corresponding to each line of business. Through this risk control and management system, the Ebro Group has drawn up a consolidated risk map by compiling and combining the risk maps of its major subsidiaries.

This process is coordinated by the Risks Committee, which manages and establishes the permitted tolerance to the risk and coordinates actions to align the measures addressing risks with the Group's global risk policy so that the exposure to risk assumed by the Ebro Group overall is known at all times.

Based on the results obtained, systems are devised for addressing risks and internal control, to keep the likelihood and impact of those risks on financial reporting within the tolerance levels, thereby providing reasonable certainty regarding achievement of the strategic business goals.

- Whether the process covers all the financial reporting objectives (existence and occurrence; integrity; measurement; presentation, breakdown and comparison; and rights and obligations); whether it is updated and how often.

The Ebro Group has established a continuous improvement process to minimise the risks related with financial reporting, improving the design and effectiveness of existing controls.

For this purpose, it has a process identifying the risks affecting the reliability of financial reporting, based on and beginning with a definition of the scope, according to quantitative criteria of materiality in respect of the consolidated amounts and other qualitative criteria (error, fraud, uncommon transactions, etc.). Companies in the major business units or divisions that meet any of the afore-mentioned criteria and the material accounting items of each one are defined according to those criteria. Once the material items have been defined on a company level, the processes and sub-processes they affect are established, according to a relationship matrix.

For each of the sub-processes included within the scope, the inherent risks are identified and the checks made by the responsible persons to mitigate those risks are defined, setting this information

down in a Risks-Controls Matrix. Those risks take account of all the financial reporting objectives (existence and occurrence; integrity; measurement; presentation, breakdown and comparison; and rights and obligations).

The financial reporting risks are identified in the Ebro Group's Risks-Controls Matrix and updated to take account of any changes in the scope of consolidation of the Group or development of its business and their reflection in the financial statements, making a comparative analysis every year of the variations in material processes and sub-processes to establish any risks that have not been previously identified.

- The existence of a process for defining the scope of consolidation, taking into account, among other aspects, the possible existence of complex corporate structures, base companies or special purpose vehicles.

The Ebro Group has a documented process based on internal regulations that guarantees the correct identification of the scope of consolidation through an adequate separation of duties in the requesting, authorising, reporting and recording of any operation entailing the incorporation, merger, division, acquisition or sale of companies and any other corporate operation, directly involving the legal department 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. No transactions or complex corporate structures that might entail off-balance sheet transactions which should be recorded within the reporting period were identified this year.

- 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 Risk Control and Management System of the Ebro Group is designed to identify potential risk events that might affect the organisation. At present there are four types of risks: Operating, Compliance, Strategic and Financial risks, and the conclusions are taken into account insofar as the risks may affect financial reporting. For this purpose, the Risks Committee acts as a unit of coordination and interrelation of the effect of the risks detected on the different areas (management, business, financial reporting, legal, reputational etc. risks).

- Which governing body of the company supervises the process.

While the Board has the power, which it may not delegate, to determine the policy for control and management of risks, including tax risks, and supervision of the FRICS, the Audit and Compliance Committee is responsible for supervising and promoting the procedures and systems used to prepare and control the company's financial reporting, and controlling the implementation of and compliance with the risk control and management systems, both in general and in respect of the financial reporting process.

F.3 Control activities

Inform whether the company has at least the following, describing their main features:

- F.3.1 Procedures for checking and authorising financial information to be published on the stock markets and description of the FRICS, indicating who is responsible for these tasks and documentation describing the flows of activities and controls (including those checking for the risk of fraud) in the different types of transactions that may have a material effect on the financial statements, including the procedure for closing of accounts and the specific review of judgements, estimates, valuations and significant projections.

The priorities established within the Ebro Group include the quality and reliability of the financial information, both internal information for decision-making and external information published on the markets. The information to be provided by the different units is requested by the Group financial department, paying special attention to the processes of closing the accounts, consolidation, measurement of intangibles and areas subject to judgement and estimates.

The Ebro Group has procedures for checking and authorising the financial information and description of the FRICS, responsibility for which corresponds to the Financial Department, the Risks 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 and it is approved by the Board.

The Group has implemented an improvement process to increase the documentation and make the generation of financial information and its subsequent supervision more effective and efficient.

The significant processes involved in the generation of the Group financial reporting are documented based on the COSO internal control model. The main processes documented are:

- Closing of Financial Statements and Reporting
- Consolidation
- Sales and Receivables
- Purchases and Payables
- Fixed Assets
- Inventories
- Payroll

The documentation outline is extended progressively, according to the materiality and the general criteria established in the Group's financial reporting internal control system.

The persons responsible for each of the documented processes in each subsidiary have been identified. They are responsible for keeping those processes up to date on an annual basis, reporting any modifications or adaptations to the Risks Committee through the Group's financial department.

Process documentation includes details of the flows and transactions and the financial reporting objectives and controls established to ensure they are met. It also contemplates the risks of error and/or fraud that might affect the financial reporting objectives. The documentation of flows of activities and controls that may have a material effect on the financial statements, including the accounts closing procedure, includes the preparation of narratives on the processes, flow charts and risk and control matrices. The controls identified are both preventive and detective, manual or automatic, describing also their frequency and associated information systems.

F.3.2 Internal control procedures and policies for the IT systems (including access security, track changes, operation, operating continuity and separation of duties) used for the significant processes of the company in the preparation and publication of financial information.

The Group has rules of action for managing financial information security. Those rules are applicable to the systems used to generate financial information and the IT Department is responsible for defining and proposing the security policies.

Within its policies and infrastructure management the Ebro Group has procedures to secure each of the following points:

i) Both physical and logical access are controlled to ensure that only authorised internal and external personnel can access the Ebro centres and systems. Ebro has several Data Centres, the main one in Spain where the company's critical systems are housed. The major subsidiaries also have local data centres. They all have their own infrastructure to guarantee adequate control of access to the installations. In small subsidiaries, the general rule is to have external service providers to provide that security. When external service providers are used, the Ebro Group makes internal audits of the information systems and their architecture, including the security aspect.

Logical access control is secured with efficient management of access to our systems, whether internal or external, and through a user management coordinated with the human resources department and the company's group of managers. Ebro has user access control systems and workflow tools to guarantee inter-departmental integration and efficient updating of user status, regularly identifying those who no longer access the systems. Ebro Foods will shortly begin a global Duties Separation project, within its corporate risk control policy.

External access is guaranteed through specific users and controlled management. The necessary elements have also been provided on a network level to ensure that only authorised users and processes have access from outside.

ii) The larger subsidiaries mainly use the ERP system called SAP. In all those cases, Ebro has procedures underpinned by systems in which production changes are systematically filtered and assessed, their life cycle

managed, and disseminated after acceptance by specific users and impact analysis in the systems currently used in production.

iii) The separation of duties is underpinned by the use of roles by groups of users, which allow access only to the information and transactions previously approved by the organisation. The modification or creation of new roles is backed by the same procedure that guarantees management of the user life cycle and is applicable to the major companies of the Ebro Group. Special attention is paid to separation in IT support processes to make sure that the tasks of development, sending to production and administration of the system are duly separated.

iv) Ebro has internal tools which, combined with the user support departments and systems (Help Desks), guarantee the management and traceability of incidents in the IT systems. Programme changes are managed within that system, which is based on ITIL best practices and management.

The critical information systems are always housed in our data centres and there are individuals assigned to each one who are responsible for proactive monitoring of the automatic processes and proactive assessment of the yield and functioning of the systems.

Ebro has global contracts with security control tool providers, which guarantee the installation of such tools in all the computer and data processing equipment used in the company.

v) Ebro has tools to guarantee the continuity of business support by its IT systems in the event of a fatal error or system crash. There are backup systems and policies in its data centres that guarantee access to information and systems in case of a crash. The use of tape or disk backups and replicating the information in several computers with subsequent triangular distribution are habitual procedures for making incremental or complete backup copies. The current systems allow recovery of the information up to the specific time of the fatal error or system crash.

F.3.3 Internal control procedures and policies to oversee the management of outsourced activities and any aspects of valuation, calculation or measurement commissioned to independent experts, which may have a material impact on the financial statements

In general, the Ebro Group manages all activities that may have a material impact on the reliability of the financial statements directly using internal resources to avoid outsourcing. There are very few outsourced activities and the procedures and controls of those activities are regulated in the contracts signed with the service providers in question.

The valuation, calculation or measurement activities commissioned by the Ebro Group to independent experts are mainly concerned with the appraisal of properties, actuarial studies of commitments to employees and impairment testing of intangibles.

Only service providers of internationally recognised standing are used for these valuation reports, making sure that they are not affected by any circumstance or event that could compromise their independence.

The reports obtained from these firms are submitted to internal review to check that the most significant assumptions and hypotheses used are correct and that they comply with the International Valuation Standards (IVS) and International Financial Reporting Standards (IFRS). Furthermore, the valuation processes and the hypotheses and assumptions used by independent experts are reported to and considered by the external auditors of the company and its group.

F.4 Information and communication

Inform whether the company has at least the following, describing their main features:

F.4.1 A specific department responsible for defining the accounting policies and keeping them up to date (accounting policy department or division) and solving queries or conflicts deriving from their interpretation, maintaining fluent communication with those responsible for operations in the organisation, as well as an updated accounting policy manual distributed among the units through which the company operates.

The Ebro Group has adequate procedures and mechanisms to put the applicable criteria across to the employees involved in the preparation of financial information and the IT systems used in that preparation. This is done through the Management Control Unit and the Corporate Financial Department, whose powers include the following, among others:

- Define, administer, update and report on the Group's accounting policies, in compliance with the applicable accounting standards and rules of consolidation for the preparation and presentation of financial information to be disclosed.
- Prepare, update and report on the Accounting Policy Manual to be applied by all financial units in the Group. This manual is updated annually.
- Settle any queries or conflicts regarding the interpretation and application of the accounting policies, maintaining fluent communication with those responsible for these operations in the organisation.
- Define and create templates, formats and criteria to be used for preparing and reporting the financial information. All financial information distributed on the markets is prepared by consolidating the reports of the different business units, prepared using mechanisms for data input, preparation and presentation that are homogenous for the entire Group. These mechanisms are designed to enable compliance with the standards applicable to the principal financial statements, including accounting criteria, valuation rules and presentation formats and embrace not only the balance sheet, profit and loss account, statement of changes in equity and statement of cash flows, but also the obtaining of other information that is necessary to prepare the notes to the financial statements.

F.4.2 Mechanisms for collecting and preparing financial information with homogenous formats, applied and used by all business units in the company or group, valid for the main financial statements and notes, and the information given on the FRICS

The Group's financial information is prepared using a process of aggregating separate financial statements at source for subsequent consolidation according to the applicable accounting and consolidation standards, to obtain the consolidated financial information to be presented monthly to the Board and 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 each month by a financial manager in each subsidiary before sending them for checking and consolidation. To complete the automatic checks, those data and the estimation, valuation and calculation principles used to obtain them, as well as the accounts closing procedure, are checked by the financial manager at each level of aggregation and consolidation until the Ebro Group consolidated financial information is obtained, prepared and checked by the corporate financial department.

The Ebro Group has established a reporting system for the Financial Reporting Internal Control System, which is available in the Group for all the subsidiaries included within the scope of the FRICS. Through that reporting, the management of the parent coordinates maintenance of the system in the rest of the subsidiaries annually through the assignment of persons responsible for their maintenance and updating in the event of any significant change to be taken into consideration in the documentation. Finally, if any weaknesses are detected in the financial reporting internal control system, the subsidiaries are notified of the necessary action plans and they are monitored by management of the parent.

F.5 Supervision of the functioning of the system

Inform on at least the following, describing their main features:

F.5.1 The FRICS supervisory activities performed by the Audit Committee and whether the company has an internal audit department responsible, among its duties, for assisting the committee in its supervision of the internal control system, including the financial reporting internal control system (FRICS). Inform also on the scope of the FRICS appraisal made during the year and the procedure through which the department or body responsible for the appraisal informs on the outcome, whether the company has an action plan defining any possible corrective measures and whether their impact on the financial information has been considered.

The board is ultimately responsible for the existence, maintenance and supervision of an adequate, effective financial reporting internal control system. Among the duties defined in the Regulations of the Board, the Audit and Compliance Committee assists and supports the board in its supervision of the accounting and financial information, the internal and external audit services and corporate governance.

The Audit and Compliance Committee, assisted by the Risks Committee, must see that the internal audit procedures, the internal control systems in general, including the risk management control system and, in particular, the financial reporting internal control system, are adequate. The Audit and Compliance Committee also ensures that 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; reports to the board on any related party transactions submitted for its consideration; controls any possible conflicts of interest; and, in general, makes sure that all the company's information and reporting, particularly financial, complies with the principle of truth and maximum transparency for shareholders and markets.

The Risks Committee, as the central control system, monitors adequate fulfilment by the risk officers of the respective units of the following duties: (i) monitoring, updating and review of the business risks map and the different financial reporting processes; (ii) compliance with the reporting protocols for business risks and financial information; (iii) assessment of the measures for mitigating and controlling any risks detected, and (iv) assessment of the effectiveness of the systems and controls by testing processes indicated by the Risks Committee, assisted by the heads of the different units and, where necessary, external advisers. The Risks Committee, based on the policy established by the Board and supervised by and reporting to the Audit Committee, is specifically responsible for coordinating and monitoring the risks control and management system, including tax risks, and checking the Group's financial information.

Within the business risks control and FRICS, the internal audit department makes sure that the testing and control of risk management and financial reporting systems have been done properly, within the internal audits carried out on different subsidiaries during the year, according to the Internal Audit Plan.

The internal audit department has submitted its annual working plan to the Audit and Compliance Committee and reported directly to said committee on any incidents detected in the performance of that work, proposing the corresponding action plan defining any necessary corrective measures; and at the end of each year, it has submitted an activity report.

The results of checks made by the internal audit department and any incidents detected by the Risks Committee have been reported to the Audit and Compliance Committee. Moreover, the action plan devised for remedying those incidents has been sent to both the person responsible for remedying them and the Audit and Compliance Committee.

7.5.2 Inform on whether the company has a discussion procedure whereby the auditor (according to the provisions of the auditing standards), the internal audit department and other experts can inform the senior management and audit committee or company directors of any significant weaknesses detected in internal control during the auditing or checking of the annual accounts or any other processes commissioned to them. Indicate also whether the company has an action plan to remedy or mitigate the weaknesses observed.

The Audit and Compliance Committee has a stable, professional relationship with the external auditors of the principal companies in its group, strictly respecting their independence. That relationship favours communication and discussion of any internal control weaknesses pinpointed during the auditing of annual accounts or any other audit work commissioned to them.

In this regard, the Audit and Compliance Committee receives information from the external auditor at least every six months on the audit plan and outcome of its performance, and checks that the senior management heeds the auditor's recommendations.

In addition, as established in the Regulations of the Board, it is responsible for overseeing the Internal Audit Services, examining the financial reporting process and internal control systems.

During 2016, the External Auditor attended 5 meetings of the Audit and Compliance Committee and the Internal Auditor attended 7 meetings.

F.6 Other significant information

N/A

F.7 External auditor's report

Inform on:

7.7.1 Whether the FRICS information sent to the markets was checked by the external auditor, in which case the company should include the corresponding report in an annex. If not, why not.

The report issued by the external auditor is appended hereto.

G EXTENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of compliance by the company with the recommendations of the Unified Good Governance Code.

If any recommendation is not followed or is only partly followed, include a detailed explanation of the reasons so that shareholders, investors and the market in general have sufficient information to assess the company's actions. General explanations are not acceptable.

1. The Articles of Association of listed companies should not limit the maximum number of votes that may be cast by an individual shareholder or impose other restrictions hampering takeover of the company via the market acquisition of its shares.

Complies Explanation

2. When both the parent company and a subsidiary are listed, they should both publish a document specifying exactly:

a) The types of activity they are respectively engaged in and any business dealings between them, and between the listed subsidiary and other group companies;

b) The mechanisms in place to solve any conflicts of interest.

Complies Partial compliance Explanation Not applicable

3. During the annual general meeting, to supplement the written distribution of the annual corporate governance report, the chairman of the board should inform the shareholders orally, in sufficient detail, of the most important aspects of the company's corporate governance, especially:

a) Any changes made since the previous annual general meeting.

b) The specific reasons why the company does not follow any of the recommendations of the Code of Corporate Governance and the alternative rules applied, if any.

Complies Partial compliance Explanation

4. The company should define and promote a policy of communication and contacts with shareholder, institutional investors and proxy advisors that fully respects the laws against market abuse and gives similar treatment to shareholders who are in the same position.

And the company should publish that policy on its website, including information on how it has been implemented, naming those responsible for such implementation.

Complies Partial compliance Explanation

5. The board should not table a motion at the general meeting for delegating powers to issue shares or convertible securities excluding the preferential subscription right in a sum of more than 20% of the capital at the time of the delegation.

And when the board approves an issue of shares or convertible securities excluding the preferential subscription right, the company should immediately publish on its website the reports on that exclusion required by commercial law.

Complies Partial compliance Explanation

6. Listed companies that prepare the following reports, whether mandatory or voluntary, should publish them on their websites sufficiently in advance of the annual general meeting even though that publication is not compulsory:

- a) Report on the independence of the auditor.
- b) Reports on the functioning of the audit committee and the nomination and remuneration committee.
- c) Report by the audit committee on related party transactions.
- d) Report on the corporate social responsibility policy.

Complies Partial compliance Explanation

All the sections of this Recommendation are met, except c).

Although the Audit and Compliance Committee checks that all the related party transactions with controlling shareholders and directors have been made at market prices and on arm's length terms and issues a favourable report to the Board, after studying this Recommendation the company does not consider it convenient to publish the contents of that report because it contains sensitive commercial information that is confidential for the Group in respect of its rivals.

7. The company should broadcast general meetings live, through its website.

Complies Explanation

General meetings of shareholders of Ebro Foods S.A. are not broadcast live through the corporate website owing to the size and capitalisation of the company.

Furthermore, considering the little use made of the technical means intended to increase shareholders' participation at general meetings (such as the shareholders' forum or electronic voting and proxies) and the ample quorum at general meetings (75.79% at the last AGM held on 1 June 2016), the company considers it unnecessary at present to invest economic resources in the live broadcasting of general meetings.

All information on what happens at the general meeting is subsequently published on the corporate website, where it is fully available, downloadable and easy to access, with no limitations or restrictions of any nature.

The company has studied this Recommendation and for the time being does not contemplate live broadcasting of the AGM to be held in 2017, considering that its general meetings comply with the principles of transparency and adequate information recommended by the Code of Good Governance.

8. The audit committee should make sure that the board endeavours 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.

Complies Partial compliance Explanation

9. The company should publish permanently on its website the requirements and procedures it will accept as proof of ownership of shares, right to attend the general meeting and exercise or delegation of shareholders' voting right.

And those requirements and procedures should favour the attendance and exercise by shareholders of their rights, not being in any way discriminatory.

Complies Partial compliance Explanation

10. If a legitimate shareholder has exercised their right, prior to the general meeting, to supplement the agenda or submit new proposed resolutions, the company should:

- a) Immediately distribute those supplementary items and new proposed resolutions.
- b) Publish the model attendance card or proxy form or postal/electronic voting form with the necessary modifications to enable voting on the new items on the agenda and alternative proposed resolutions on the same terms as those proposed by the board of directors.
- c) Put all these items or alternative proposals to the vote and apply the same voting rules as those applicable to the proposals by the board, including in particular the presumptions or deductions regarding votes.
- d) After the general meeting, report the details of the voting on those supplementary items or alternative proposals.

Complies Partial compliance Explanation Not applicable

11. If the company plans to pay attendance fees for general meetings, it should establish in advance a general policy on those fees and that policy should be stable.

Complies Partial compliance Explanation Not applicable

12. The board should perform its duties with unity of purpose and independence of judgement, give the same treatment to all shareholders in the same position and be guided by the company's interests, namely the achievement of a profitable business sustainable in the long term, promote its continuity and maximise the economic value of the company.

And in its search for the company's interests, apart from respecting the laws and regulations and acting in good faith, ethically and with respect for generally accepted use and good practice, endeavour to reconcile the corporate interests with the legitimate interests of its employees, suppliers, customers and other stakeholders that may be affected, as the case may be, and the impact of the company's activities on the surrounding community and environment.

Complies Partial compliance Explanation

13. The Board should have the necessary size to operate effectively, with participation. The recommended size is, therefore, between five and fifteen members.

Complies Explanation

14. The board should approve a policy for selecting directors which:

- a) Is specific and verifiable.
- b) Ensures that nominations or proposals for re-election are based on a prior analysis of the board's needs.
- c) Favours the diversity of expertise, experience and gender.

The results of the prior analysis of the board's needs should be set out in the report by the nomination committee published when calling the general meeting at which the ratification, appointment or re-election of each director is proposed.

And the policy for selecting directors should promote the target that the number of female directors on the board should be equivalent to at least 30% of the total members of the board by 2020.

The nomination committee shall check compliance with the policy for selecting directors annually and inform on that check in the annual corporate governance report.

Complies Partial compliance Explanation

15. The proprietary and independent directors represent an ample majority of the board and the number of executive directors is the minimum necessary, taking account of the complexity of the corporate group and the percentage stake held by the executive directors in the company's capital.

Complies Partial compliance Explanation

16. The ratio of proprietary directors to total non-executive directors should not be greater than the ratio of capital represented by those directors to the rest of the capital.

This may be eased:

- a) In companies with a high capitalisation, in which shareholdings legally considered significant are scarce.
- b) In companies with a plurality of unrelated shareholders represented on the board.

Complies Explanation

17. The number of independent directors should represent at least one-half of the total directors.

This notwithstanding, if the company does not have a large capitalisation or if it has a high level of capitalisation but has one shareholder, or several acting in concert, that controls more than 30% of the capital, the number of independent directors should represent at least one-third of the total directors.

Complies Explanation

At year-end 2016, of the thirteen members of the board, four are independent and one is an "other non-executive" director.

The total number of independent directors rose from three to four when a new female independent director joined the board in July 2016. Independent directors thus account for 30.76% of the total thirteen directors.

Although the director classified as "other non-executive" performs his duties on the board and audit and compliance committee just like any other independent director, he cannot be classified as such because he has been a director of the company for a continuous period of over 12 years.

Following the resignation tendered as of 31 December 2016 by the director classified as "other non-executive", the board resolved on 25 January 2017 to appoint a new female independent director by cooptation, thus raising the number of independent directors on the board from four to five, representing 38.5% of the total thirteen members.

The number of independent directors was reduced to four again, of a total of twelve members, with one vacancy following the death in February 2017 of an independent director.

The company is aware of this situation and the Nomination and Remuneration Committee is currently working to propose an independent director to fill the vacancy caused by that death, whereupon the board will once again have five independent directors out of a total of thirteen board members.

18. Companies should publish on their websites and keep up to date the following information on their directors:

- a) Professional and biographic profile.
- b) Other directorships held, in listed or unlisted companies, and other remunerated activities performed, of whatsoever nature.
- c) Indication of the category of director, indicating for proprietary directors the shareholder they represent or with which they are related.
- d) Date of first appointment as director of the company and subsequent re-elections.
- e) Shares and stock options held in the company.

Complies Partial compliance Explanation

All the requirements of this Recommendation are met except b).

Although there is no specific section on the corporate website containing the information contemplated in paragraph b), the information on the directors of Ebro Foods, S.A., including directorships held in listed companies and positions and activities performed, remunerated or otherwise, in companies engaged in similar or identical activities as Ebro Foods, is set out in the annual accounts and corporate governance report each year published in the corresponding sections of the website.

After studying this Recommendation, the company considers that it informs on the directorships held in listed companies and positions and activities performed, remunerated or otherwise, in companies engaged in similar or identical activities as Ebro Foods, S.A. in sufficient detail to comply with the transparency in reporting sought by the Code of Good Governance.

19. Once checked by the nomination committee, the annual corporate governance report should include an explanation of the reasons why proprietary directors have been appointed at the request of shareholders with an interest of less than 3% in the capital, as well as the reasons, if 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.

Complies Partial compliance Explanation Not applicable

20. 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.

Complies Partial compliance Explanation Not applicable

21. The Board should not propose the removal of any independent director before the end of the period for which they were appointed, unless there are just grounds for doing so, as appreciated by the Board subject to a report by the Nomination Committee. In particular, just grounds are deemed to exist when the director takes up new positions or contracts new obligations preventing them from dedicating the necessary time to performance of their duties on the board, or if they breach their duties or fall into any of the circumstances by virtue of which they would no longer be considered independent, according to the applicable legal provisions.

The removal of independent directors may also be proposed following takeover bids, mergers or other similar corporate operations entailing a change in the ownership structure of the company, when changes in the structure of the board are required by the principle of proportionality contemplated in Recommendation 16.

Complies Explanation

22. Companies should establish rules obliging directors to report and, if necessary, resign in any cases that may jeopardise the company's credit and 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 prosecuted or tried for any of the offences contemplated in company law, 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.

Complies Partial compliance Explanation

23. 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 about which a director has expressed serious reservations, the latter should reach the appropriate conclusions and, if they opt to resign, explain the reasons in the letter contemplated in the following recommendation.

This recommendation also affects the Secretary of the Board, even if he or she is not a director.

Complies Partial compliance Explanation Not applicable

24. If a director resigns or retires from office on whatsoever grounds before the end of his or her term of office, they should explain the reasons in a letter sent to all the Board members. Regardless of whether the retirement is announced as a regulatory disclosure, the reason shall be indicated in the Annual Corporate Governance Report.

Complies Partial compliance Explanation Not applicable

25. The nomination committee should make sure that non-executive directors have sufficiently availability to perform their duties correctly.

And the regulations of the board should stipulate the maximum number of directorships that may be held by its directors.

Complies Partial compliance Explanation

Although the Regulations of the Board do not stipulate a maximum number of directorships that may be held by the directors of Ebro Foods, S.A., it does impose on the directors the obligation to 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 (Article 32 of the Regulations of the Board, "General duties of directors").

After studying this Recommendation, the company considers that the principles pursued by the Code of Good Governance in this respect are met with the obligation regarding dedication imposed in Article 32 of the Regulations of the Board.

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

Complies Partial compliance Explanation

27. 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 miss a Board meeting, a proxy should be granted with the appropriate instructions.

Complies Partial compliance Explanation

28. When the Directors or the Secretary express concern over a proposal, or, in the case of Directors, the company's performance, and those concerns are not settled by the board, they should be put on record, at the request of those expressing them.

Complies Partial compliance Explanation Not applicable

29. The company should establish adequate channels for directors to obtain any counselling they may need to perform their duties, including, should circumstances so require, external counselling at the company's expense.

Complies Partial compliance Explanation

30. Regardless of the expertise required of directors to perform their duties, companies should also offer their directors refresher courses in the appropriate circumstances.

Complies Explanation Not applicable

31. The agenda for meetings should clearly indicate the items on which the board is called upon to adopt a decision or resolution, so that the directors can study or obtain in advance the information they may need.

In exceptional cases, for reasons of urgency, the chairman may submit decisions or resolutions not included on the agenda for approval by the board, the prior, express consent of most of the directors present will be necessary, putting this on record in the minutes.

Complies Partial compliance Explanation

32. Directors shall be regularly informed on any changes in the ownership of the company and the opinion held by the controlling shareholders, investors and ratings agencies of the company and its group.

Complies Partial compliance Explanation

33. Being responsible for the efficient functioning of the board of directors, apart from performing the duties assigned by law and in the articles of association, the chairman should prepare and submit to the board a schedule of dates and business to be transacted; organise and coordinate the periodical assessment of the board and chief executive, if any, of the company; be responsible for managing the board and for its efficient operation; make sure sufficient time is allotted to the discussion of strategic issues; and resolve and review the refresher programmes for each director whenever circumstances so require.

Complies Partial compliance Explanation

34. When there is a lead independent director, the articles of association or regulations of the board should assign the following powers, apart from those corresponding to them by law: preside over board meetings in the absence of the chairman and vice-chairmen, if any; echo the concerns of non-executive directors; hold contacts with

investors and shareholders to find out their points of view and form an opinion on their concerns, particularly regarding the corporate governance of the company; and coordinate the plan for succession of the chairman.

Complies Partial compliance Explanation Not applicable

Although the articles of association and regulations of the board do not expressly assign to the lead independent director the powers contemplated in this Recommendation, said director is entirely free to exercise them.

The articles of association and regulations of the board do not establish any limit on the exercise of those powers by the lead independent director or any other director.

After studying this Recommendation, the company considers that since any director, not only the lead independent director, may exercise the powers contemplated in this Recommendation, and since the chairman is the only one of thirteen directors who has executive duties, this is sufficient to avoid any concentration of powers in the executive chairman, as sought by the Code of Good Governance.

35. The secretary of the board should especially ensure that the actions and decisions of the board follow the recommendations on good governance contained in the Code of Good Governance that are applicable to the company.

Complies Explanation

36. The full Board should assess once a year and, where necessary, adopt an action plan to correct any deficiencies detected in respect of:

- a) The quality and effectiveness of the Board's actions.
- b) The functioning and composition of its committees.
- c) Diversity in the composition and powers of the Board.
- d) The performance by the Chairman of the Board and Chief Executive Officer of their respective duties;
- e) The performance and contribution of each director, paying special attention to the heads of the different board committees.

The different committees should be assessed based on the reports they submit to the Board and the Board will be assessed on the basis of the report it submits to the Nomination Committee.

Every three years, the Board will be assisted in this assessment by an external consultant, whose independence shall be checked by the Nomination Committee.

The business relations that the consultant or any company in its group has with the company or any company in its group should be described in the Annual Corporate Governance Report.

The process and areas assessed should also be described in the Annual Corporate Governance Report.

Complies Partial compliance Explanation

The company complies with this Recommendation, although in the annual assessment of the board, its committees and its executive chairman, the company has so far not sought assistance from external consultants.

The company has studied this Recommendation in respect of future years, considering that the Nomination and Remuneration Committee should assess and submit to the board its opinion on the convenience and need to engage external consultants.

37. When there is an Executive Committee, the balance between the different types of director should roughly mirror that of the Board and its secretary should be the Secretary of the Board.

Complies Partial compliance Explanation Not applicable

38. The Board should be informed at all times of the business transacted and decisions made by the Executive Committee and all Board members should receive a copy of the minutes of Executive Committee meetings.

Complies Explanation Not applicable

39. The members of the Audit Committee, especially its chairman, should be appointed on account of their expertise and experience in accounting, auditing or risk management, and most of those members should be independent directors.

Complies Partial compliance Explanation

40. Under the supervision of the Audit Committee, there should be an internal audit unit to see that the internal control and reporting systems work properly. This unit should report to the non-executive chairman of the Board or the chairman of the Audit Committee.

Complies Partial compliance Explanation

41. The head of the internal audit unit should submit its annual work programme to the Audit Committee, report directly any incidents that may arise during its fulfilment and submit an activity report at the end of each year

Complies Partial compliance Explanation Not applicable

42. In addition to those contemplated in law, the Audit Committee should have the following duties:

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

- a) Supervise the preparation and integrity of the company's, and where appropriate the group's, financial reporting, checking compliance with the legal requirements, adequate definition of the scope of consolidation and correct application of accounting principles.
- b) Oversee the independence and efficacy of the internal audit department; propose the nomination, appointment, re-appointment and removal of the chief audit officer; propose the budget for this department; approve its approach and working plans, making sure its activity focuses mainly on the material risks of the company; receive regular information on its activities; and check that the top management heeds the conclusions and recommendations set out in its reports.
- c) Establish and supervise a "whistle-blowing" procedure so employees can confidentially and, where appropriate, even anonymously report any potentially important irregularities they observe within the company, particularly in financial and accounting aspects.

2. In connection with the external auditors:

- a) Investigate the circumstances giving rise to resignation of any external auditor.
- b) Ensure that the remuneration of the external auditors for their work does not jeopardise their quality or independence.
- c) See that the company reports the change of auditor to the CNMV in a regulatory disclosure, attaching a declaration on the possible existence of disagreements with the outgoing auditor and the contents of those disagreements, if any.
- d) Make sure that the external auditors hold an annual meeting with the full board to inform on the work done and the evolution of the company's risks and accounting situation.
- e) Ensure that the company and external auditors respect the provisions in place on the provision of services other than auditing, limits on the concentration of the auditor's business and, in general, any other provisions regarding the independence of auditors.

Complies Partial compliance Explanation

43. 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 Partial compliance Explanation

44. The Audit Committee should be informed on any corporate and structural operations that the company plans to make, so that it can analyse them and submit a preliminary report to the board on the economic terms and impact on accounts, and particularly on the exchange ratio proposed, if any.

Complies Partial compliance Explanation Not applicable

45. The risk control and management policy should identify at least:

- a) The different types of risk, financial and non-financial (including operational, technological, legal, social, environmental, political and reputational) to which the company is exposed, including contingent liabilities and other off-balance-sheet risks among the financial or economic risks.
- b) The risk level that the company considers acceptable.
- c) The measures contemplated to mitigate the impact of the risks identified, should they materialise.
- d) The internal control and reporting systems to be used to control and manage those risks, including contingent liabilities and other off-balance-sheet risks.

Complies Partial compliance Explanation

46. Under the direct supervision of the audit committee or, as the case may be, an ad hoc committee of the board, there should be an internal risk control and management role exercised by an internal unit or department of the company expressly having the following duties:

- a) See that the risk control and management systems work properly and, in particular, that all the major risks affecting the company are adequately identified, managed and quantified.
- b) Participate actively in the preparation of the risk strategy and in the major decisions on their management.
- c) See that the risk control and management systems adequately mitigate the risks within the policy defined by the board.

Complies Partial compliance Explanation

47. Companies should ensure that the members of the Nomination and Remuneration Committee -or the Nomination Committee and the Remuneration Committee, if they are separate- have adequate experience, skills and expertise for the duties they are to perform and that most of those members are independent directors.

Complies Partial compliance Explanation

All the members of the Nomination and Remuneration Committee have adequate experience, skills and expertise for their duties.

At 31 December 2016, the Nomination and Remuneration Committee of the company had four members, two of whom were proprietary directors and the other two were independent, including the chairman of the committee.

The company was aware of this situation and was working on including another independent director on this committee so that it would have five members, three of whom would be independent.

Following the death of one of the independent directors in this committee in February 2017, its composition was reduced to three members (two proprietary and one independent).

At the date of this report, the company is assessing the situation with a view to increasing the number of independent directors on this committee, once the vacancy on the board has been filled, foreseeably by an independent director.

48. Companies with a high level of capitalisation should have a separate nomination committee and remuneration committee.

Complies Explanation Not applicable

49. The nomination committee should consult the chairman of the board and the chief executive of the company, especially on matters referring to the executive directors.

And any director should be able to request the nomination committee to consider potential candidates to fill vacancies on the board, in case they were suitable in the committee's opinion.

Complies Partial compliance Explanation

50. The remuneration committee should perform its duties independently, having the following duties in addition to those assigned to it by law:

- a) Propose to the board the basic terms of contract of the senior executives.
- b) See that the remuneration policy established by the company is observed.

- c) Periodically review the remuneration policy applied to directors and senior executives, including the systems of payment with shares and their application, and ensure that their individual remuneration is in proportion to that paid to other directors and senior executives of the company.
- d) Ensure that any conflicts of interest that may arise do not jeopardise the independence of the external counselling provided to the committee.
- e) Check the information on the remuneration of directors and senior executives in the different corporate documents, including the annual report on directors' remuneration.

Complies Partial compliance Explanation

51. The remuneration committee should consult the chairman of the board and the chief executive of the company, especially on matters referring to the executive directors and senior executives.

Complies Partial compliance Explanation

52. The rules of composition and procedure of the supervision and control committees should be included in the regulations of the board and be coherent with those applicable to the committees required by law according to the foregoing recommendations, including the following:

- a) The members should be exclusively non-executive directors, most of them independent directors.
- b) They should be chaired by independent directors.
- c) The board should appoint the members of these committees on account of the expertise, skills and experience of the directors and the duties of each committee; and the committees should discuss its proposals and reports; and report on its activities at the first board meeting following their meetings, answering for the work done.
- d) The committees should be able to obtain external counselling whenever they may consider it necessary to perform their duties.
- e) Minutes should be issued of their meetings and made available to all directors.

Complies Partial compliance Explanation Not applicable

53. The supervision of compliance with the rules of corporate governance, internal codes of conduct and corporate social responsibility policy should be assigned to one or distributed among several committees of the board, which may be the audit committee, the nomination committee, the corporate social responsibility committee, if any, or an ad hoc committee that the board, exercising its powers of self-organisation, may decide to set up. These committees should specifically have the following minimum duties:

- a) Oversight of compliance with the internal codes of conduct and the company's corporate governance rules.
- b) Supervision of the strategy of communication and relations with investors and shareholders, including small and medium-sized shareholders.
- c) Periodical assessment of the adequacy of the company's corporate governance system to ensure that it fulfils its mission of promoting corporate interests and takes account of the legitimate interests of the other stakeholders, where appropriate.
- d) Review of the company's corporate responsibility policy, making sure that it is geared towards creating value.
- e) Monitoring of the corporate social responsibility strategy and practices and assessment of the degree of compliance.
- f) Supervision and assessment of the processes of relations with different stakeholders.
- g) Assessment of everything related with non-financial risks in the company, including operational, technological, legal, social, environmental, political and reputational risks.
- h) Coordination of the reporting process for non-financial information and diversity, complying with the applicable legal provisions and international benchmark standards.

Complies Partial compliance Explanation

54. The corporate social responsibility policy should include the principles or commitments that the company voluntarily undertakes in its relationships with the different stakeholders and define at least the following:

- a) The corporate social responsibility goals and the development of supporting instruments.
- b) The corporate strategy related with sustainability, the environment and social issues.
- c) Specific practices in matters related with shareholders, employees, customers, suppliers, social issues, environment, diversity, tax responsibility, respect for human rights and prevention of unlawful conduct.
- d) The methods or systems for monitoring the results of applying the specific practices contemplated in the preceding paragraph, the associated risks and management thereof.
- e) The mechanisms for supervising non-financial risks, ethics and business conduct.
- f) The communication channels, participation and dialogue with stakeholders.
- g) Responsible communication practices to avoid manipulation of information and protect integrity and honour.

Complies Partial compliance Explanation

55. The company should inform, in a separate document or in the directors' report, on matters related with corporate social responsibility, using one of the internationally accepted methodologies.

Complies Partial compliance Explanation

56. The remuneration of directors should be high enough to attract and retain directors with the desired profiles and remunerate the dedication, qualification and responsibility required by their office, but should not so high as to jeopardise the independence of non-executive directors.

Complies Explanation

57. Variable remuneration linked to the company's yield and personal performance and the remuneration paid in shares, stock options, rights over shares or instruments indexed to the value of the share, and long-term savings systems such as pension plans, retirement schemes or other welfare systems, should be limited to executive directors.

The delivery of shares as remuneration to non-executive directors may be contemplated when it is conditional upon holding those shares until they retire from the board. This will not be applicable to any shares that the director may need to sell to pay the costs incurred in their acquisition.

Complies Partial compliance Explanation

58. For variable remunerations, the remuneration policies should establish the limits and technical precautions required to make sure those remunerations are linked to the professional performance of their beneficiaries and do not merely derive from general trends on the markets or in the company's sector of business or other similar circumstances.

In particular, the variable components of the remuneration should:

- a) Be linked to predetermined, measurable yield criteria, which consider the risk assumed to obtain a result.
- b) Promote the company's sustainability and include non-financial criteria that are adequate for the creation of long-term value, such as compliance with the internal rules and procedures of the company and its policies for the control and management of risks.
- c) Be based on a balance between meeting short, medium and long-term goals, permitting the remuneration of yield achieved through continuous performance over a sufficient period of time to appreciate their contribution to the sustainable creation of value, such that the elements for measuring that yield are not related only with one-off, occasional or extraordinary events.

Complies Partial compliance Explanation Not applicable

59. The payment of a significant part of the variable components of remuneration should be deferred for a minimum time that is sufficient to check that the yield conditions established above have actually been met:

Complies Partial compliance Explanation Not applicable

60. Earnings-linked remuneration should take account of any qualifications made in the report by the external auditors that may reduce those earnings.

Complies Partial compliance Explanation Not applicable

61. A significant percentage of the variable remuneration of executive directors should be linked to the delivery of shares or financial instruments indexed to their value.

Complies Partial compliance Explanation Not applicable

Of the two executive directors, only the chairman of the board, Antonio Hernández Callejas, receives remuneration for his executive duties. Hercalanz Investing Group, S.L. does not receive any such remuneration, for the reasons explained elsewhere in this report.

The current variable remuneration systems of the executive director are described in the Annual Report on Directors' Remuneration 2016 and are linked to the achievement of pre-established measurable, quantifiable objectives related with personal performance and other financial or non-financial factors that promote the company's and group's long-term sustainability and profitability.

Although Article 22 of the Articles of Association contemplates the possibility that directors may receive remuneration in the form of shares, stock options or any other system of remuneration indexed to the price of the shares, the Board has not so far submitted this form of remuneration to approval by the general meeting, considering that the systems of variable remuneration of the executive director currently used are most appropriate for stimulating his motivation and personal performance, and his commitment to and relationship with the Group's interests.

After studying this Recommendation, the company considers that the current system for remuneration of the only executive director who receives remuneration for his executive duties (the chairman) is adequate for his professional talent and profile. The company also considers that this system incorporates the necessary mechanisms to avoid excessive exposure to risks and reward for unfavourable results, as recommended by the Code of Good Governance.

62. Once the shares, stock options or rights over shares corresponding to the remuneration systems have been distributed, the directors may not transfer the ownership of a number of shares equivalent to twice their annual fixed remuneration or exercise the stock options or rights until at least three years after being allotted those shares, options or rights.

This will not be applicable to any shares that the director may need to sell to pay the costs incurred in their acquisition.

Complies Partial compliance Explanation Not applicable

63. Contracts should include a clawback clause whereby the company may to claim repayment of the variable components of remuneration when the amounts paid do not correspond to fulfilment of the conditions regarding yield or when paid on the basis of data subsequently proved to be misstated.

Complies Partial compliance Explanation Not applicable

64. Termination benefits should not exceed a specified amount equivalent to two years' total annual remuneration and should not be paid until the company has confirmed that the director has met the performance requirements established above.

Complies Partial compliance Explanation Not applicable

H OTHER INFORMATION OF INTEREST

1. If you consider there to be any important aspects regarding the corporate governance practices applied by your company or other companies in the group that have not been mentioned in this report, but which should be included to obtain more complete, reasoned information on the

corporate governance practices and structure in the company or group, describe them below and give a brief explanation.

2. This section may be used to include any other information, clarification or qualification relating to the previous sections of the report, provided it is relevant and not repetitive.

In particular, state whether the company is subject to any laws other than the laws of Spain on corporate governance and, if this is the case, include whatever information the company may be obliged to supply that differs from the information included in this report.

3. The company may also state whether it has voluntarily applied any international, sector-based or other codes of ethical principles or good practices. If so, it should name the code in question and the date of its accession.

EXPLANATORY NOTE ONE, CONCERNING THE CURRENT COMPOSITION OF THE BOARD OF DIRECTORS, THE CLASSIFICATION OF DIRECTORS AND THE PRESENCE OF WOMEN ON THE BOARD

A. The directors José Nieto de la Cierva and Eugenio Ruiz-Gálvez Priego tendered their resignations for professional reasons, with effect from 31 December 2016, in a letter addressed to the directors.

Juan Luis Gómez-Trenor Fos, representative of Empresas Comerciales e Industriales Valencianas, S.L.U. on the board of Ebro Foods, S.A., died in January 2017, and José Antonio Segurado García, lead independent director and member of the Executive Committee and Nomination and Remuneration Committee, died in February 2017.

B. At the date of this report, after the afore-mentioned variations produced since 31 December 2016, the composition of the board is as follows:

- Antonio Hernández Callejas, Chairman (Executive director)
- Demetrio Carceller Arce, Vice-Chairman (Proprietary director)
- Alimentos y Aceites, S.A., represented by Concepción Ordiz Fuertes (Proprietary director)
- Belén Barreiro Pérez-Pardo (Independent director). She was appointed by cooptation on 25 January 2017 to fill the vacancy caused by Eugenio Ruiz-Gálvez Priego.
- Fernando Castelló Clemente (Independent director)
- José Ignacio Comenge Sánchez-Real (Independent director)
- Mercedes Costa García (Independent director)
- Empresas Comerciales e Industriales Valencianas, S.L.U., represented by Javier Gómez-Trenor Vergés (Proprietary director)
- Javier Fernández Alonso (Proprietary director). He was appointed by cooptation on 25 January 2017 to fill the vacancy caused by José Nieto de la Cierva.
- Grupo Tradifin, S.L.U., represented by Blanca Hernández Rodríguez (Proprietary director)
- Heralianz Investing Group, S.L.U., represented by Félix Hernández Callejas (Executive director)
- Dr August Oetker (Proprietary director)

The vacancy caused by the death of José Antonio Segurado García in February 2017 has not yet been filled at the date of this report.

C. The following is put on record regarding the classification of directors:

a) As regards the classification of Eugenio Ruiz-Gálvez Priego as an "other non-executive" director, he was originally appointed director and member of the Audit and Compliance Committee by virtue of his personal and professional qualities and performed his duties unconditioned by relations with the company or its group, controlling shareholders or executives. Therefore, this director performs his duties in the Board and Audit and Compliance Committee just like any other independent director, although he could not be classified as such because he had been on the board for more than 12 years in succession.

b) As regards the classification of Instituto Hispánico del Arroz, S.A. (director up to 21 December 2016) as an executive director, this director (i) did not perform executive or management duties in Ebro Foods, S.A. or any subsidiary of the Group and, therefore, received no remuneration for such duties; (ii) was classified as an executive director because its individual representative on the board of directors of Ebro Foods, S.A. was an executive of one of the Group's subsidiaries; and (iii) held the position of director because it was a significant shareholder of the company, with a total direct and indirect interest of 15.921%, regardless of who its personal representative was and the executive position that said representative may have held within the Group.

c) As regards the classification of Heralianz Investing Group, S.L. as an executive director, this director (i) does not perform executive or management duties in Ebro Foods, S.A. or any subsidiary of the Group and, therefore, receives no remuneration for such duties; (ii) is classified as an executive director because its individual representative on the board of directors of Ebro Foods, S.A. is an executive of one of the Group's subsidiaries (the same executive who represented Instituto Hispánico del Arroz, S.A. on the board of Ebro Foods, S.A.); and (iii) holds the position of director because it is a significant shareholder of the company, with a total direct and indirect interest of 7.961%. Heralianz Investing Group, S.L. will continue to be a director of Ebro Foods, S.A. during such time as it is a significant shareholder, regardless of who its personal representative was and the executive position that said representative may have held within the Group.

D. With regard to the presence of female directors on the board, following the appointment of two new female directors in July 2016 and January 2017, there are now four women on the board of directors, out of a total thirteen members, hence women now represent 30.76% of the board members. At the date of this report, the company has reached the representation target established in the Policy for Selecting Candidates, which stipulates that the gender least represented on the Board shall account for at least thirty per cent of all the Board members by 2020.

E. At the date of this report, José Ignacio Comenge Sánchez-Real has been appointed Lead Independent Director.

EXPLANATORY NOTE TWO, ON SECTIONS A.4 AND C.1.7

The directors Grupo Tradifín, S.L. and Heralianz Investing Group, S.L. are also significant shareholders of the company (see percentage shareholdings indicated in A.3).

Grupo Tradifín, S.L. and Heralianz Investing Group, S.L. were nominated as directors by the then controlling shareholder Instituto Hispánico del Arroz, S.A., in which each of these companies held a 50% stake.

Up to 28 December 2016, Instituto Hispánico del Arroz, S.A. held a 15.921% interest in Ebro Foods, S.A. (up to 22 December 2016, a direct interest of 8.963% and an indirect interest of 6.959% through Hispafoods Invest, S.L.; and an entirely direct interest of 15.921% from 22 to 28 December 2016).

On 28 December 2016, Instituto Hispánico del Arroz, S.A. transferred all its shares in Ebro Foods, S.A. to its two shareholders, Grupo Tradifín, S.L. (7.961%) and Heralianz Investing Group, S.L. (7.961%).

When Instituto Hispánico del Arroz, S.A. lost its status, Grupo Tradifín, S.L. and Heralianz Investing Group, S.L. continued to be directors by virtue of their status as significant shareholders of the company. They each hold a 7.961% interest in Ebro Foods, S.A.

EXPLANATORY NOTE THREE, ON SECTION A.5

Relationships between the companies of the Ebro Foods Group and the controlling shareholders, excluding those who are directors, are explained in section A.5.

See sections D.2 and D.3 of this Report.

EXPLANATORY NOTE FOUR, ON SECTION B.4

As indicated in the information contained in the attendance list of the AGM incorporated in the notarial minutes issued thereof, the figures on attendance in person and by proxy set out in section B.4 of this report include the percentages of postal and electronic votes.

EXPLANATORY NOTE FIVE, ON SECTION C.1.15

The directors' remunerations indicated in section C.1.15 include attendance fees received by the chairman of the board of Ebro Foods, S.A., Antonio Hernández Callejas, as director of Pastificio Lucio Garofalo, S.p.A. (a company in the Ebro Group), totalling 5 thousand euros and paid by that company.

In addition, the chairman of the board received 5,200 euros from Riso Scotti, S.p.A. (associate) in attendance fees as director of that company.

EXPLANATORY NOTE SIX, ON SECTION C.1.16

All the company executives of Ebro Foods, S.A. are included in section C.1.16, even though they do not all have senior management employment relations with the company.

EXPLANATORY NOTE SEVEN, ON SECTION C.1.17

- Grupo Tradifin, S.L. and Heralianz Investing Group, S.L. are directors and controlling shareholders of Ebro Foods, S.A. with an interest of 7.961% each.

- Antonio Hernández Callejas has a direct interest of 33.333% in Heralianz Investing Group, S.L. and, therefore, an indirect interest in Ebro Foods, S.A. through the 7.961% direct interest held by Heralianz Investing Group, S.L. in Ebro Foods, S.A. Antonio Hernández Callejas does not hold any office in that company.

- Félix Hernández Callejas, representative of Heralianz Investing Group, S.L. on the board of directors of Ebro Foods, S.A., has a direct interest of 33.333% in Heralianz Investing Group, S.L. and, therefore, an indirect interest in Ebro Foods, S.A. through the 7.961% direct interest held by Heralianz Investing Group, S.L. in Ebro Foods, S.A. Félix Hernández Callejas is joint and several director does not hold any office in that company.

- Blanca Hernández Rodríguez, representatives of Grupo Tradifin, S.L. on the board of directors of Ebro Foods, S.A., has a direct interest of 33.25% in Grupo Tradifin, S.L. and, therefore, an indirect interest in Ebro Foods, S.A. through the 7.961% direct interest held by Grupo Tradifin, S.L. in Ebro Foods, S.A. Blanca Hernández Rodríguez is Managing Director of that company.

- Demetrio Carceller Arce has an indirect interest in Ebro Foods, S.A. through the 11.447% interest that Sociedad Anónima Damm holds in Ebro Foods, S.A. through Corporación Económica Delta, S.A.

EXPLANATORY NOTE EIGHT, ON SECTION C.2.1

A. The name of the audit committee in the company is "Audit and Compliance Committee" and the name of the nomination and remuneration committee is "Nomination and Remuneration Committee".

B. All the members of the Audit and Compliance Committee were appointed on account of their expertise and experience in accounting and auditing, including Grupo Tradifin, S.L., which was elected on the basis of its representative's expertise in these matters.

C. Following the changes in the Board since 31 December 2016, the composition of the different committees indicated in C.2.1 of this report is currently as follows:

EXECUTIVE COMMITTEE:

- Antonio Hernández Callejas, Chairman, Executive director
- Demetrio Carceller Arce, Vice-Chairman, Proprietary director
- Javier Fernández Alonso, Member, Proprietary director

AUDIT AND COMPLIANCE COMMITTEE:

- José Ignacio Comenge Sánchez-Real, Chairman, Independent director
- Fernando Castelló Clemente, Member, Independent director
- Grupo Tradifin, S.L., represented by Blanca Hernández Rodríguez, Member, Proprietary director
- Mercedes Costa García, Member, Independent director
- Belén Barreiro Pérez-Pardo, Member, Independent director

NOMINATION AND REMUNERATION COMMITTEE:

- Fernando Castelló Clemente, Chairman, Independent director
- Demetrio Carceller Arce, Member, Proprietary director
- Grupo Tradifin, S.L., represented by Blanca Hernández Rodríguez, Member, Proprietary director

STRATEGY AND INVESTMENT COMMITTEE:

- Demetrio Carceller Arce, Chairman, Proprietary director
- Antonio Hernández Callejas, Member, Executive director
- Heralianz Investing Group, S.L., represented by Félix Hernández Callejas, Member, Executive director
- Javier Fernández Alonso, Member, Proprietary director

D. The duties of the different Board Committees as established in the Regulations of the Board are set out below, without prejudice to those they have by law:

DUTIES OF THE EXECUTIVE COMMITTEE:

Notwithstanding the specifications of the Board in the resolution to delegate powers and the powers of the Board that may not be delegated, 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 ordinary management of the company, ensuring adequate coordination with subsidiaries in the common interests of the latter and the company.

c) Study and propose to the Board of Directors the guidelines defining business strategy, supervising their implementation.

d) Debate and inform the Board on any issues corresponding to the following matters, regardless of whether or not they have been delegated by the Board:

- Separate and consolidated annual budget of the company, itemising the provisions corresponding to each core business.
- Monthly monitoring of the financial management, deviations from the budget and proposed remedial measures, if necessary.
- Significant financial investments and investments in property, plant and equipment and the corresponding economic justification.
- Alliances and agreements with other companies which, by virtue of their amount or nature, are important for the company.
- Financial transactions of a material economic significance for the company.
- Programme of medium-term actions.
- Assessment of the achievement of objectives by the different operating units of the company.
- Monitoring and assessment of the subsidiaries in respect of the matters contemplated in this sub-section d).

e) Adopt resolutions corresponding to the buy-back and disposal of treasury stock by the Company, in accordance with the authorisation, if any, granted by the General Meeting. A Director may be designated to execute and formalise the decisions to buy or sell own shares, supervising and, if appropriate, authorising any resolutions that may be adopted by subsidiaries to buy and sell their own shares or shares in the Company, whenever such authorisation is required by law.

DUTIES OF THE AUDIT AND COMPLIANCE COMMITTEE:

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

a) Supervise and promote internal control of the company and the risk management systems and submit recommendations to the Board for a decision on the risk management and control policy, including tax risks, specifying at least:

- The types of risk to which the company is exposed.
- The risk level that the company considers acceptable.
- The measures for mitigating the impact of identified risks, should they actually occur.
- The control and reporting systems used to control and manage those risks.

b) Supervise and promote the policies, procedures and systems used for drawing up and controlling the company's financial information, checking the services performed in this regard by the Internal Audit Department, the Financial Department and the Management Committee and making sure they are correctly distributed throughout the Group.

c) Receive the information sent regularly to the Stock Exchange Councils, issue prospectuses and any public financial information offered by the Company and, in general, all information prepared for distribution among shareholders, ensuring the existence of internal control systems that guarantee the transparency and truth of the information.

d) Ensure that (i) the systems used for preparing the separate and consolidated Annual Accounts and Directors' Report submitted to the Board to be 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; and (ii) the Board of Directors endeavours to submit the annual accounts to the General Meeting with an unqualified auditors' report.

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.

e) Establish regular contact with the External Auditors to receive information on any issues that may jeopardise their independence, and any other issues relating to the auditing of accounts, receiving information from and exchanging communications with the External Auditors in accordance with prevailing auditing standards and legislation.

f) Be informed of the decisions adopted by the senior management according to recommendations made by the External Auditors in connection with the audit.

g) Report to the Board prior to the adoption of any decisions on related party transactions submitted for its authorisation.

h) Implement a confidential whistleblowing channel accessible to all Group employees and a protocol for establishing priority, processing, investigating and solving any issues reported through that channel according to their importance and

nature, paying special attention to those involving possible falsehood or misrepresentation in financial or accounting documents and possible fraud.

i) Supervise compliance with the internal codes of conduct and rules of corporate governance. In particular, oversee the implementation of and compliance with the internal regulations and codes applicable to the risk management and control systems in general and the financial reporting process in particular.

j) Submit to the Board, to be tabled at the General Meeting, proposals for the selection, appointment, re-appointment and replacement of the company's External Auditors and their terms of contract, the scope of their commission and the renewal or revocation of their engagement. The Committee shall ensure the independence of the External Auditors and the existence of a discussion procedure enabling the External Auditors, the Internal Audit Department and any other expert to inform the company of any significant weaknesses in its internal control detected while checking the annual accounts or any other processes in which they have worked. The Committee shall issue an annual report, prior to issuance of the auditor's report, expressing an opinion on the independence of the External Auditors and any supplementary services they may have provided. It shall also inform the Board on the proposal submitted to the Board by the Company Chairman regarding the appointment of the Internal Audit Manager, who shall report directly to the Chairman of the Board.

k) Supervise and report to the Board on intragroup and related party transactions of the company or subsidiaries and settle any conflicts of interest that may arise between the company or the group and its directors, executives, significant shareholders and listed subsidiaries, if any.

l) The Audit and Compliance Committee shall also report to the General Meeting on any issues raised by shareholders concerning matters within its competence.

DUTIES OF THE NOMINATION AND REMUNERATION COMMITTEE:

In addition to any other powers corresponding to it by law or the Articles of Association, the Committee shall study, issue reports and submit proposals for the Board, at its request, on the following matters:

a) Definition and, where appropriate, revision of the criteria to be followed for the composition and structure of the Board and selection of candidates to join the Board, informing always prior to the appointment of a Director by cooptation or the submission to the General Meeting of any proposal regarding the appointment or removal of Directors.

b) Appointment of the Chairman, and Vice-Chairman if any, of the Board, Managing Director(s), Lead Independent Director and the Secretary, and Vice-Secretary if any, of the Board; appointment of Directors to the Committees of the Board; and appointment and possible dismissal of senior executives and their termination benefit clauses.

c) Position of the Company regarding the appointment and removal of board members in subsidiaries.

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

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

f) Assessment of the principles of the management training, promotion and selection policy in the parent company and, where appropriate, in its subsidiaries.

g) Examination and organisation, as deemed adequate, of the succession of the Chairman and chief executive and, if appropriate, submission of proposals to the Board to ensure that such succession is made in an orderly, well-planned manner.

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

i) Setting targets for the representation of the least represented gender on the Board and issue guidelines on how to achieve them.

DUTIES OF THE STRATEGY AND INVESTMENT COMMITTEE:

The Committee shall study, issue reports and submit proposals for the Board on the following matters:

a) Setting of targets for growth, yield and market share.

b) Strategic development plans, new investments and restructuring processes.

c) Coordination with subsidiaries in the matters contemplated in paragraphs (a) and (b) above, for the common interests and benefit of the Company and its subsidiaries.

- The activities performed by the different Board Committees in 2016 are indicated below:

ACTIONS PERFORMED BY THE EXECUTIVE COMMITTEE IN 2016:

- Several investments, divestments and sales of assets were valued.

- The committee studied the information provided by the tax manager on the development of the Group businesses, as regards the Group's principal taxation aspects.

- Strategic decisions to be adopted in respect of the different businesses were assessed.

ACTIONS PERFORMED BY THE AUDIT AND COMPLIANCE COMMITTEE IN 2016:

- The external audit of the separate and consolidated annual accounts 2015 was monitored, anticipating unqualified auditors' reports, even though the audit work was not entirely completed.
 - An analytic review was made of the consolidated financial statements 2015, highlighting the principal changes in respect of 2014 and the reasons for those changes.
 - The financial reporting internal control system (FRICS) was reviewed, analysing the ratios and covenants. No material irregularities were detected.
 - The related party transactions and situations of potential conflict of interest corresponding to 2015 were checked, resolving to submit a favourable report to the board on those transactions and situations, and on the authorisation for them to be made in 2016.
 - The Committee checked and resolved to pass a favourable report to the board on the periodical financial reporting for H2 of 2015 and the quarterly reports in 2016.
 - The Committee examined the report prepared by the Internal Audit Department on different subsidiaries of the Group, within Internal Audit Plan 2016.
 - The operation and use of the whistleblowing channel in 2015 was reviewed.
 - The committee checked and agreed to issue a favourable report to the Board on the separate and consolidated annual accounts and directors' report for the year ended 31 December 2015. During the review, the external auditors of the company and its group (EY) submitted its draft unqualified auditors' report.
 - The draft report by the auditors on the FRICS (financial reporting internal control system) for 2015 was reviewed.
 - After the corresponding review, a favourable report was issued on the independence of the auditors to be submitted to the board.
 - The information on related party transactions and situations of potential conflict of interest and the information on risk control included in the Annual Corporate Governance Report 2015 was checked, resolving to submit a favourable report to the board.
 - The information on risk control included in the Annual Corporate Governance Report 2015 was checked, resolving to submit a favourable report to the board.
 - An investment review protocol was approved to ensure adequate monitoring and checking of compliance by investments made with the financial parameters.
 - The activity report of the Committee for 2015 was issued and submitted to the board.
 - The Plan for 2016 presented by the Manager of the Internal Audit Department was approved.
 - The Corporate Social Responsibility Report 2015 was checked, resolving to submit a favourable report to the board.
 - Within its supervision of internal control and risk management, the committee specifically monitored the most important tax aspects of the Group.
 - The recommendations by the external auditors regarding the internal control processes established within the group were analysed.
 - The latest changes in legislation regulating account auditing were analysed.
 - The committee analysed the work by the Compliance Unit in respect of the Crime Prevention Model established in the Group and modification of the Internal Code of Market Conduct.
 - The committee studied the proposed modification to the Internal Code of Market Conduct in the wake of the entry into force as of 3 July of Regulation (EU) 596/2014 on market abuse, presented with a favourable report by the Compliance Unit for submission to the board.
 - The proposed fees of the external auditors (EY) for auditing of the 2016 accounts was analysed and a report submitted to the board.
 - The tax and legal risk management and control measures within the group were analysed and reviewed.
 - The external audit of the separate and consolidated annual accounts 2016 was monitored, not detecting any material aspects.
 - The financial reporting internal control system (FRICS) was reviewed, analysing the ratios and covenants. No material irregularities were detected.
 - The external auditors ran training sessions on the principal novelties in tax and accounting aspects and the new Audit Act.
- The committee studied and submitted a favourable report to the board on the proposed dividends against the 2016 profits (payable in 2017), on the terms subsequently approved by the board and announced to the market on 22 December 2016.
- The general policies affecting the powers of the committee were checked and a favourable report was submitted to the board.

ACTIONS PERFORMED BY THE NOMINATION AND REMUNERATION COMMITTEE IN 2016:

- The Committee studied and agreed to issue a favourable report to the Board on the Remuneration Policy for Company Directors, including the Executive Chairman of the Board, and Executives of the Parent and Group for 2015-2016.
- It was resolved to begin the self-assessment process of the board, executive chairman and committees for 2015.
- It was resolved to recommend the board to pay the second instalment of the share in profits corresponding to 2015.
- The Committee agreed to recommend the Board, with a favourable report, to approve the Report on Directors' Remuneration for 2015, to be put to an advisory vote at the AGM as a separate item on the agenda.
- The report on the assessment of the Board, its Chairman and Committees in 2015 was prepared, to be submitted to the Board of Directors.
- The Nomination and Remuneration Committee's Activity Report 2015 was prepared, to be submitted to the Board of Directors.
- The Committee studied and agreed to issue a favourable report to the Board on the information included in the Annual Corporate Governance Report 2015 on remuneration and categories of directors.
- The outline of incentives under the Ebro Foods Group Strategic Plan 2016-2018 was analysed and a favourable report submitted to the board.
- It was resolved to propose to the Board, with a favourable report, payment of (i) the final share in profits corresponding to 2015, once foreseeably approved at the annual general meeting, and (ii) the first instalment of the share in profits corresponding to 2016.
- It was resolved to propose to the Board, with a favourable report, appointment by cooptation of Mercedes Costa García as independent director and member of the company's Audit and Compliance Committee.
- It was resolved to propose to the Board, with a favourable report, approval of the employee Share Delivery Plan 2016.
- It was resolved to propose to the Board, with a favourable report, appointment by cooptation of Grupo Tradifin, S.L. (represented by Blanca Hernández Rodríguez) as proprietary director and member of the Audit and Compliance Committee and Nomination and Remuneration Committee.
- It was resolved to propose to the Board, with a favourable report, appointment by cooptation of Heralianz Investing Group, S.L. (represented by Félix Hernández Callejas) as executive director and member of the Strategy and Investment Committee.
- The Committee studied and issued a favourable report to the Board on the general corporate policies affecting the powers of the Committee.

ACTIONS PERFORMED BY THE STRATEGY AND INVESTMENT COMMITTEE IN 2016:

- Progress was checked of the Ebro Foods Group Strategic Plan 2016-2018.

EXPLANATORY NOTE NINE, ON SECTION D.2

Herba Ricemills, S.L.U. (subsidiary of the Ebro Group) effected transactions of purchase of goods (finished or otherwise) in a sum of €3,634 thousand with Instituto Hispánico del Arroz, S.A. during 2016, when this company was still a significant shareholder of Ebro Foods, S.A. (21-28 December 2016), although it had stepped down as director.

EXPLANATORY NOTE TEN, ON SECTION D.3

The transactions made by different companies of the Ebro Group with Instituto Hispánico del Arroz, S.A. during the part of 2016 in which the latter company was director (up to 21 December) are listed below (in thousand euros):

- Arotz Foods, S.A., purchase of goods (finished or otherwise) for 375.
- Arotz Foods, S.A., other income, for 6
- Arotz Foods, S.A., sale of goods (finished or otherwise) for 1
- Arrozeiras Mundiarroz, purchase of goods (finished or otherwise) for 234
- Boost Nutrition, N.V., purchase of goods (finished or otherwise) for 4
- Boost Nutrition, N.V., sale of goods (finished or otherwise) for 29
- Herba Ingredients, BV, purchase of goods (finished or otherwise) for 102
- Herba Ricemills, S.L.U., lease (expense) for 178
- Herba Ricemills, S.L.U., purchase of goods (finished or otherwise) for 8,724
- Herba Ricemills, S.L.U., services received, for 310
- Herba Ricemills, S.L.U., sale of goods (finished or otherwise) for 1,119
- S&B Herba Foods, Ltd., purchase of goods (finished or otherwise) for 838
- S&B Herba Foods, Ltd., sale of goods (finished or otherwise) for 501
- Ebro Foods, S.A., payment of dividends in a sum of 7,446.78

In addition, Ebro Foods, S.A. paid dividends to Hispafoods Invest, S.L. (director up to 21 December 2016) in a sum of €5,781.93 thousand.

Finally, gross dividends of Ebro Foods, S.A. for 2016 were received by the executives named in section C.1.16 in an overall sum of €15 thousand.

EXPLANATORY NOTE ELEVEN, ON SECTION D.5

A summary of the transactions made in 2016 between companies of the Ebro Group and “other related parties” is set out below (in thousand euros):

- Services received in a sum of 29 between Herba Foods, S.L.U. (subsidiary of the Ebro Group) and Hernández Barrera Servicios, S.L.

- Services received in a sum of 259 between Herba Ricemills, S.L.U. and Hernández Barrera Servicios, S.L.

Félix Hernández Callejas, representative on the board of Ebro Foods, S.A. of the director Heralianz Investing Group, S.A., is a director of Hernández Barrera Servicios, S.L.

EXPLANATORY NOTE TWELVE

Ebro Foods, S.A. has a 25% interest in Riso Scotti S.p.A. This is an associated investment consolidated by the equity method.

The transactions made during 2016 between Riso Scotti S.p.A. and companies in the Ebro Foods Group are summarised below, in thousand euros:

- Herba Ricemills, S.L.U., purchase of goods (finished or otherwise) for 367

- Herba Ricemills, S.L.U., sale of goods (finished or otherwise) for 204

- Herba Ricemills, S.L.U., services rendered (income) for 9

- Ebro Foods, S.A., dividends received in a sum of 509

EXPLANATORY NOTE THIRTEEN, ON SECTION G

- RECOMMENDATION 11

The company has a Policy on Attendance Fees for General Meetings, which establishes the principle that those fees will not be cash payments, but the delivery of a gift related with the products of Ebro Group and/or its brands.

- RECOMMENDATION 39

The following changes took place in the composition of the Audit and Compliance Committee during 2016:

(i) Up to July 2016, this committee had four members, two of whom were independent directors and one was classified as “other non-executive”. Although this director performed his duties just like any other independent director, he could not be formally classified as such because he had been on the board for more than twelve years in succession.

(ii) In July 2016, a new independent director joined the Audit and Compliance Committee, which then had five members, with a majority of independent directors (three out of five).

(iii) Following the resignation on 31 December 2016 of the director classified as “other non-executive” and the incorporation in January 2017 of a new independent director, the Audit and Compliance Committee now has five members, four of whom are independent.

ETHICAL PRINCIPLES AND CODES VOLUNTARILY APPLIED BY EBRO FOODS, S.A.:

- United Nations Global Compact - 2001

- Project of the Spanish Commercial Coding Association (AECOC) against food waste, “Don’t waste food, use it” - 2012

- Member of the Advisory Committee of the United Nations Sustainable Development Goals Fund (SDGF) to boost the Sustainable Development Goals (SDG) - 2015

- Sustainable Agriculture Initiative (SAI) Platform - 2015

- SERES Foundation - 2015

- Sustainable Rice Platform - 2016

This Annual Corporate Governance Report was approved by the Board of Directors of the company on 29/03/2017.

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

YES NO