

ANNUAL ACTIVITY REPORT OF THE NOMINATION AND REMUNERATION COMMITTEE OF EBRO FOODS, S.A. FOR THE YEAR ENDED 31 DECEMBER 2016

1. Duties and responsibilities

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

The requirement imposed on companies by the current Corporate Enterprises Act to have a committee of this nature brought nothing new to the Company, which, as mentioned above, had had a Nomination and Remuneration Committee since 1998.

With regard to its duties, section 529 quincecies of the Corporate Enterprises Act establishes that, *"without prejudice to any other duties assigned to it by law, the articles of association or, in accordance therewith, the regulations of the board of directors, the nomination and remuneration committee shall have at least the following duties:*

- a) Assess the powers, expertise and experience required in the board of directors. It shall define the duties and skills required of the candidates who are to fill each vacancy and assess the necessary time and dedication for directors to perform their duties effectively.*
- b) Establish a target representation for the gender least represented on the board and draw up guidelines on how to reach that target.*
- c) Propose independent directors for appointment by the board by cooptation or submission of the decision to the general meeting, as well as proposals for the re-election or removal of those directors by the general meeting.*
- d) Inform on nominations for other directors for appointment by cooptation or submission of the decision to the general meeting, as well as proposals for the re-election or removal of those directors by the general meeting.*
- e) Inform on proposals for the appointment and removal of senior executives and the basic terms of their contracts.*
- f) Study and organise the succession of the chairman of the board and CEO of the company and, where appropriate, submit proposals to ensure that the succession is well-planned and made in an orderly fashion.*
- g) Propose the remuneration policy to the board for directors, general managers or any performing senior management duties reporting directly to the board, executive committees or managing directors, as well as the individual remuneration and other terms of contract of the executive directors, overseeing compliance with the policy."*

Article 25.4 of the Regulations of the Board establishes the following: *"In addition to any other powers corresponding to it by law, the Articles of Association or these Regulations, 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."

2. Composition

The composition of the Nomination and Remuneration Committee is regulated in Article 28.3 of the company's Articles of Association and Article 25.1 of the Regulations of the Board.

As stipulated in Article 28.3 of the Articles of Association, “A *Nomination and Remuneration Committee shall also be set up within the Board, with no fewer than three nor more than five members appointed by the Board. All the members of this Committee shall be non-executive directors and at least two of them shall be independent directors.*

The Board shall appoint one of the independent directors on the Nomination and Remuneration to chair that committee. In the event of absence or temporary unavailability of the Chairman, he shall be substituted by a member of the Committee provisionally so nominated by the Board, or otherwise by the Committee member designated by the Committee for the specific meeting.”

Article 25.1 of the Regulations of the Board establishes that, “A *Nomination and Remuneration Committee shall also be set up within the Board, with no fewer than three nor more than five directors. All the members of this Committee shall be non-executive directors and at least two of them shall be independent directors, appointed by the Board pursuant to the law, the Articles of Association and these Regulations.”*

The composition of the Nomination and Remuneration Committee from 1 January 2016 up to the date of this report was as follows, with the variations indicated:

- Fernando Castelló Clemente – Chairman (independent director)
- Demetrio Carceller – Member (proprietary director)
- Hispafoods Invest, S.L. (Blanca Hernández Rodríguez) – Member (proprietary director). Stepped down as director and member of this committee on 21 December 2016.
- Grupo Tradifín, S.L. (Blanca Hernández Rodríguez) - Member (Proprietary director). Appointed director and member of this committee on 21 December 2016.
- José Antonio Segurado García – Member (lead independent director). Passed away in February 2017.

Pursuant to the Regulations of the Board, Luis Peña Pazos, (non-director) Secretary of the Board, is also (non-director) Secretary of the Nomination and Remuneration Committee.

3. Procedure

Pursuant to Article 28.3 of the Articles of Association, “*The Nomination and Remuneration Committee shall meet with the frequency stipulated in the Regulations of the Board and as and when called by its Chairman, whenever so decided by at least two of its members or at the request of the Board. Committee meetings shall be held at the registered office or wheresoever else may be decided by the Chairman and indicated in the notice of call, and shall be quorate when attended, in person or by proxy, by the majority of its members. Resolutions shall be carried with the votes in favour of the majority of members attending the meeting. In the event of a tie, the Chairman, or acting Chairman, shall have the casting vote. The Secretary of the Committee shall be*

appointed by the Board and shall issue minutes of the resolutions adopted, which shall be reported to the Board.”

And according to Article 25.3 of the Regulations of the Board, *“The Committee shall meet whenever 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.”*

Furthermore, Article 22 of the Regulations of the Board contains general provisions applicable to all the Committees of the Board.

4. Activities performed during 2016

The Nomination and Remuneration Committee held six meetings in 2016, all attended by the Committee Chairman.

The actions taken by the Nomination and Remuneration Committee during the year are summarised below:

- Meeting on 10 February 2016

- The Committee studied and agreed to issue a favourable report to the Board on the proposals regarding fixed and variable remuneration of company directors and executives of the Group for 2015 and 2016.
- The Committee agreed to commence the process of self-assessment of the Board, Executive Chairman and Committees during 2015.
- It further resolved to recommend the board to pay the Directors the second instalment of the share in profits corresponding to 2015.

- Meeting on 31 March 2016

- 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 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 Committee analysed and agreed to issue a favourable report to the Board on the incentives linked to the Strategic Plan 2016-2018 of the Ebro Foods Group.

- **Meeting on 1 June 2016**
 - 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.

- **Meeting on 27 July 2016**
 - It was resolved to propose to the Board, with a favourable report, the appointment by cooptation of Mercedes Costa García as independent director and member of the Audit and Compliance Committee.

- **Meeting on 28 September 2016**
 - The situation of one Director was discussed in relation to Article 31.2 of the Regulations of the Board. The Committee resolved to inform the Board that, after due analysis, no reasons of corporate interest had been detected to justify proposing any action by the Board pursuant to Article 31.2(c) of the Regulations of the Board.
 - It was resolved to propose to the Board, with a favourable report, approval of the employee Share Delivery Plan 2016.

- **Meeting on 21 December 2016**
 - The Committee resolved to submit a favourable report to the Board on the 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.
 - The Committee resolved to submit a favourable report to the Board on the appointment by cooptation of HERCALIANZ INVESTING GROUP, S.L. (represented by Félix Hernández Callejas) as executive director and member of the Strategy and Investment Committee.

5. Responsibility for the information contained in the Annual Activity Report of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee is responsible for the contents of this Report, approved by the Committee on 29 March 2017. This report will be made available to the company's shareholders and investors within the General Meeting section on the corporate website www.ebrofoods.es coinciding with publication of the notice of call to the forthcoming Annual General Meeting.

Issued in Madrid on 29 March 2017.

Fernando Castelló Clemente
Chairman

Luis Peña Pazos
Secretary

**The English version of this document is purely informative.
In the event of any discrepancy between the Spanish and English
versions of this document, the Spanish version will prevail.**