

**REPORT BY THE BOARD OF DIRECTORS OF EBRO FOODS, S.A. REGARDING THE PROPOSAL FOR APPOINTMENT BY COOPTATION, RE-ELECTION AND APPOINTMENT OF “HERCALIANZ INVESTING GROUP, S.L.” AS EXECUTIVE DIRECTOR**

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**1. Introduction**

On 21 December 2016, the board of directors of Ebro Foods, S.A. resolved to appoint Heralianz Investing Group, S.L., represented by Félix Hernández Callejas, by cooptation as executive director to fill the vacancy produced by the resignation tendered that day by Instituto Hispánico del Arroz, S.A., which had been appointed for a term of four years ending 4 June 2018.

The appointment of Heralianz Investing Group, S.L., represented by Félix Hernández Callejas, was approved in view of the favourable reports issued by the Nomination and Remuneration Committee and the Board of Directors, pursuant to section 529 decies, paragraphs 5, 6 and 7 of the Corporate Enterprises Act, which were appended to the minutes of that board meeting.

The appointment by cooptation of Heralianz Investing Group, S.L. as executive director and the designation of Félix Hernández Callejas as its representative, were entered in the company's page of the trade register (M-271855) on 21 February 2017, entry no. 121.

The first general meeting of shareholders following the appointment by cooptation of Heralianz Investing Group, S.L. as director being the AGM scheduled for 31 May 2017 on first call, and 1 June 2017 on second call, the Board is considering tabling a motion at the forthcoming AGM for ratification of the appointment by cooptation and re-election of Heralianz Investing Group, S.L. as executive director for the statutory term of four years, in the terms set out in **Annex 1** hereto.

The motion to be tabled at the AGM for the ratification, re-election and appointment of Heralianz Investing Group, S.L., represented by Félix Hernández Callejas as executive director has been previously assessed and a favourable report issued by the Nomination and Remuneration Committee pursuant to section 529.decies, paragraphs 6 and 7 of the Corporate Enterprises Act and Article 25.4(a) of the Regulations of the Board. A copy of the report by the Nomination and Remuneration Committee, containing an analysis of the composition and present needs of the Board, in accordance with the company's Policy for Selecting Directors, is appended in **Annex 2** hereto.

The curriculum of Félix Hernández Callejas is also appended hereto, in **Annex 3**.

This report and the annexes hereto will be made available to shareholders through their publication on the corporate website [www.ebrofoods.es](http://www.ebrofoods.es), coinciding with the publication of the notice of call to the forthcoming Annual General Meeting 2017. They will also be incorporated in the minutes of the corresponding board and general meetings.

## **2. Legal and regulatory aspects**

### **2.1. Category of proprietary director**

Pursuant to the Corporate Enterprises Act, section 529.duodecies.3, Heralianz Investing Group, S.L. ought to be a proprietary director, since it is a significant shareholder of Ebro.

However, it should be remembered that the director that produced the vacancy filled by Heralianz Investing Group, S.L., Instituto Hispánico del Arroz, S.A., was classified as an executive director by virtue of the fact that its representative, Félix Hernández Callejas, was an executive of a subsidiary of the Ebro Group. Therefore, since Félix Hernández Callejas is also the individual representing Heralianz Investing Group, S.L. on the Board, then for the same reason Heralianz Investing Group, S.L. is also classified as an executive director.

Nevertheless, it should be stressed that just as Instituto Hispánico del Arroz, S.A., Heralianz Investing Group, S.L. has not has not performed and is not going to perform any executive or management duties in Ebro or any of the Group's subsidiaries, and has therefore not received any remuneration as such.

### **2.2. Ratification, re-election and appointment by the general meeting of an executive director**

Pursuant to the Corporate Enterprises Act, section 529 decies, the Board members of a listed company must be appointed by the General Meeting of Shareholders.

That section 529 decies also establishes, in paragraphs 4, 5, 6 and 7, that (i) the Board is competent to propose the appointment of non-independent directors (paragraph 4); and (ii) that proposal must necessarily be accompanied by a supporting report by the Board assessing the competence, experience and merits of the proposed candidate, which will be appended to the minutes of the general meeting or board meeting, as the case may be (paragraph 5) and preceded by a report by the Nomination and Remuneration Committee (paragraph 6); plus the provisions of that section are applicable to the individuals representing corporate directors and the appointment of those individuals is subject to a report by the Nomination and Remuneration Committee (paragraph 7).

Similarly, Article 25.4(a) of the Regulations of the Board provides that the Nomination and Remuneration Committee shall inform always prior to the submission to the General Meeting of any proposal regarding the appointment of Directors.

Article 20 of the company's Articles of Association sets the term of directors' appointment at four years, after which they will be eligible for re-appointment on one or several occasions for terms of an equal duration.

## **3. Justification of the motion**

The Board considers the ratification, re-election and appointment of Heralianz Investing Group, S.L., represented by Félix Hernández Callejas, as director appropriate

in view of its status as significant shareholder of the company, and specifically as executive director as its representative on the Ebro Board, Félix Hernández Callejas, is an executive in one of the Group's subsidiaries.

#### **4. Assessment of the competence, experience and merits of the candidate**

Hercalianz Investing Group, S.L. is a Spanish company with registered office at calle Lagasca, no. 88, Madrid and provisional tax number B-87700522, registered with Madrid Trade Register, volume 35419, folio 130, page M-636685, entry no. 1. Its objects include, among other activities, the operation of industrial and commercial activities within the food sector and its articles of association expressly contemplate the possibility of performing that business through its holdings in other companies having similar objects.

The individual representing it in the performance of its duties as director of Ebro Foods, S.A. would be Félix Hernández Callejas, the same representative of the former director Instituto Hispánico del Arroz, S.A., which produced the vacancy to be filled by Hercalianz Investing Group, S.L.

The Board considers that Félix Hernández Callejas has the necessary competence, experience and merits to represent the director Hercalianz Investing Group, S.L. on the Board of Directors of Ebro, based on the following aspects:

- he has a broad, thorough knowledge of the Ebro Foods Group, having been on the Board since 2007, first as a director in his own name and, since 2010, as the individual representing first Instituto Hispánico del Arroz, S.A. and now Hercalianz Investing Group, S.L. on the Board;
- his experience in the food sector, particularly in the rice business, makes him a valuable asset for the Board, favouring the diversity of knowledge within this body;
- his continuity on the Board is in keeping with the principles behind the company's Policy for Selecting Directors.

In accordance with (i) the company's Policy for Selecting Directors, (ii) Article 32.2 of the Regulations of the Board and (iii) Recommendation 25 of the Good Governance Code for Listed Companies, Félix Hernández Callejas has informed the company that he has enough availability to be able to correctly perform his duties.

#### **5. Conclusion**

In view of the foregoing, the Board considers that:

- a) it is appropriate to table a motion at the AGM for ratification of the appointment by cooptation of Hercalianz Investing Group, S.L. made by the Board on 21 December 2016, and re-elect and appoint it executive director of the company for the statutory term of four years, with Félix Hernández Callejas as its representative on the Board of Directors of Ebro Foods, S.A.;

- b) said proposal complies with the requirements established by the Corporate Enterprises Act, the Articles of Association and the Regulations of the Board, and with the principles established in the company's Policy for Selecting Directors;
- c) the appointment is in keeping with the composition and present needs of the Board, previously analysed by the Nomination and Remuneration Committee;
- d) the fact that Heralianz Investing Group, S.L. is a significant shareholder of the company;
- e) Félix Hernández Callejas has the necessary qualifications and professional expertise required for the position taking account of the Board's needs, and is sufficiently available to guarantee due performance of his duties as representative of Heralianz Investing Group, S.L. on the Board of Directors of Ebro Foods, S.A.

In short, the Board considers Heralianz Investing Group, S.L., represented by Félix Hernández Callejas, a suitable candidate for appointment as an executive director of the company.

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Madrid, 26 April 2017

Annexes:

Annex 1. Proposed resolution submitted to the General Meeting

Annex 2. Report by the Nomination and Remuneration Committee

Annex 3. Curriculum of Félix Hernández Callejas

**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.**

**Annex 1**

**Proposed resolution submitted to the General Meeting**

*“Ratification of the appointment by cooptation and re-election of Heralianz Investing Group, S.L., as executive director*

To ratify the appointment by cooptation of Heralianz Investing Group, S.L. as director, made by the board on 21 December 2016, and re-elect and appoint it director of the company for the statutory term of four years. Heralianz Investing Group, S.L. is classified as an executive director.”

## Annex 2

### Report by the Nomination and Remuneration Committee

#### **REPORT BY THE NOMINATION AND REMUNERATION COMMITTEE OF EBRO FOODS, S.A. ON THE RATIFICATION OF THE APPOINTMENT BY COOPTATION, RE-ELECTION AND APPOINTMENT OF “HERCALIANZ INVESTING GROUP, S.L.” AS EXECUTIVE DIRECTOR**

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##### **1. Introduction**

On 21 January 2016 the Board of Directors of Ebro Foods, S.A. (the “**Company**” or “**Ebro**”) resolved to appoint Hercalianz Investing Group, S.L., represented by Félix Hernández Callejas, by cooptation, executive director of the Company, to fill the vacancy produced by the resignation tendered that day by Instituto Hispánico del Arroz, S.A.

The Board resolved to appoint Hercalianz Investing Group, S.L., represented by Félix Hernández Callejas, based on the favourable reports previously issued by the Nomination and Remuneration Committee and the Board, issued pursuant to section 529 decies, paragraphs 5, 6 and 7, of the Corporate Enterprises Act.

The Board is considering tabling a motion at the forthcoming Annual General Meeting (AGM) of shareholders of the company, to be held on 31 May 2017 on first call or 1 June 2017 on second call, for ratification of the appointment by cooptation and re-election of Hercalianz Investing Group, S.L. as executive director for the statutory term of four years. For this purpose, pursuant to section 529 decies of the Corporate Enterprises Act, in addition to the corresponding report by the Board on the competence, experience and merits of the proposed candidate (paragraph 5), the motion must also be preceded by a report by the Nomination and Remuneration Committee (paragraph 6). The provisions of that section are also applicable to the individuals representing corporate directors and the appointment of those individuals is subject to a report by the Nomination and Remuneration Committee (paragraph 7).

In addition, Article 25.4(a) of the Regulations of the Board of Directors of Ebro provides that said committee shall inform always prior to the submission to the General Meeting of any proposal regarding the appointment of Directors.

In compliance with the aforesaid legal and regulatory provisions, the Nomination and Remuneration Committee issues this report on the proposal submitted to the AGM for ratification of the appointment by cooptation of Hercalianz Investing Group, S.L. and his re-election and appointment as executive director for the statutory term of four years.

In pursuance of paragraph 7 of section 529 decies Corporate Enterprises Act, this report also embraces Félix Hernández Callejas as the individual representing Hercalianz Investing Group, S.L. on the Board of Directors of Ebro Foods, S.A.

## **2. Analysis of the composition and present needs of the Board**

The Nomination and Remuneration Committee analyses the composition and present needs of the Board, in accordance with the Company's Policy for Selecting Directors.

At the date of the last AGM, on 1 June 2016, the Board was made up of twelve members of a total of thirteen, two of whom were classified as executive directors, six as proprietary directors, three as independent directors and one as an "other non-executive director". Two of the board members had been women.

The changes produced within the Board from 1 June 2016 to the date of this report are summarised below:

- Appointment by cooptation of Mercedes Costa García as independent director on 27 July 2016 to fill the vacancy produced by the resignation with effect as of 1 December 2014 of the independent director Sol Daurella Comadrán, who had been appointed for a term of 4 years ending 4 June 2018.
- Appointment by cooptation of Grupo Tradifín, S.L. (represented by Blanca Hernández Rodríguez) as proprietary director on 21 December 2016 to fill the vacancy produced by the resignation tendered on the same day by the proprietary director Hispafoods Invest, S.L. (also represented by Ms Hernández Rodríguez), which had been appointed for a term of 4 years ending 4 June 2018.
- Appointment by cooptation of Herculanz Investing Group, S.L. (represented by Félix Hernández Callejas) as executive director on 21 December 2016 to fill the vacancy produced by the resignation tendered on the same day by the executive director Instituto Hispánico del Arroz, S.A. (also represented by Mr Hernández Callejas), which had been appointed for a term of 4 years ending 4 June 2018.
- Appointment by cooptation of Belén Barreiro Pérez-Pardo as independent director on 25 January 2017 to fill the vacancy produced by the resignation tendered with effect as of 31 December 2016, by the "other non-executive" director Eugenio Ruiz Gálvez-Priego, who had been appointed for a term of 4 years ending 4 June 2018.
- Appointment by cooptation of Javier Fernández Alonso as proprietary director on 25 January 2017 to fill the vacancy produced by the resignation tendered with effect as of 31 December 2016, by the proprietary director José Nieto de la Cierva, who had been appointed for a term of 4 years ending 4 June 2018.
- Vacancy produced by the death of an independent director on 16 February 2017.

The Company is considering the appointment of a new independent director to fill the vacancy produced in February 2017. To allow the vacancy to be filled by cooptation once the Nomination and Remuneration Committee has submits a candidate independent director to the Board, the Board plans to table a motion at the forthcoming

AGM to maintain the number of Board members at thirteen, as agreed at the AGM held on 1 June 2016.

Once the vacancy produced in February 2017 has been filled, it will have thirteen members: two executive directors, six proprietary directors and five independent directors (hence 38.46% of the board members would be independent directors). If the new independent director is a woman, the number of female directors will rise from four to five, accounting for 38.46% of the Board members. Otherwise, it will remain at four (30.76% of the Board, thus over the 30% target set for 2020 in the Company Policy for Selecting Directors).

The Nomination and Remuneration Committee considers that with this composition the Board will have an adequate level of stability and balance and, therefore, with a view to the forthcoming AGM scheduled for 31 May 2017 on first call and 1 June 2017 on second, it has decided (i) to recommend and, in the case of non-independent directors, issue a favourable report to the Board, ratification of all the aforesaid appointments by cooptation and the re-election and appointment of them all as directors for the statutory term of four years; and (ii) issue a favourable report on the Board's motion at the AGM to keep the number of Board members at thirteen, as agreed at the AGM on 1 June 2016.

The Nomination and Remuneration Committee has also taken into account that all the directors have been appointed considering their expertise, skills, professional experience, availability and suitability to be adequate for the performance of their duties.

In view of the different professional profiles of the directors (all specialists in very different, but complementary, sectors, such as economic, financial, legal, industrial, consumer markets, beverages, rice and pasta) and the thorough knowledge some of them have of the Group overall, the Nomination and Remuneration Committee considers that the composition of the Board has an adequate diversity of professional experience and expertise to suit the interests of the Company and the Group.

### **3. Analysis of the motion tabled by the Board at the Annual General Meeting for ratification of the appointment by cooptation and re-election of Heralianz Investing Group, S.L. as executive director for the statutory term of four years**

Heralianz Investing Group, S.L. is a Spanish company with registered office at calle Lagasca, no. 88, Madrid and provisional tax number B-87700522, registered with Madrid Trade Register, volume 35419, folio 130, page M-636685, entry no. 1. Its objects include, among other activities, the operation of industrial and commercial activities within the food sector and its articles of association expressly contemplate the possibility of performing that business through its holdings in other companies having similar objects.

The individual representing it in the performance of its duties as director of Ebro Foods, S.A. would be Félix Hernández Callejas, the same representative of the former director



Instituto Hispánico del Arroz, S.A., which produced the vacancy to be filled by Heralianz Investing Group, S.L.

The Nomination and Remuneration Committee has taken the following into consideration:

- a) it is necessary for Heralianz Investing Group, S.L. to remain on the Board in order to maintain optimum stability and balance in the composition of this body;
- b) ratification of the appointment by cooptation of Heralianz Investing Group, S.L. as executive director complies with the necessary requirements of the law, articles and regulations, since the vacant position on the board that it was appointed to fill had a term of four years, i.e. up to 4 June 2018;
- c) ratification of the appointment by cooptation, re-election and appointment of Heralianz Investing Group, S.L. as executive director for the statutory term of four years is in keeping with the principles established in the Company Policy for Selecting Directors;
- d) Heralianz Investing Group, S.L. is classified as executive director because his representative on the Board, Félix Hernández Callejas, was and still is an executive of a subsidiary of the Group, even though Heralianz Investing Group, S.L. has not performed and is not going to perform any executive or management duties in Ebro or any of the Group's subsidiaries, and has therefore not received any remuneration as such;
- e) the fact that Heralianz Investing Group, S.L. is a significant shareholder of the Company.

Furthermore, with regard to Félix Hernández Callejas as representative of Heralianz Investing Group, S.L. on the Board of Directors of Ebro Foods, S.A., the Nomination and Remuneration Committee considers that since he joined the Board in 2007, he has amply proved his worth and his ability to perform his duties and made a valuable contribution to the Board, with the extensive, thorough knowledge he has acquired of the business of the Ebro Group.

Assuming it is resolved to ratify and re-elect Heralianz Investing Group, S.L. as director, the Nomination and Remuneration Committee has also assessed and agreed to submit a favourable report to the Board regarding its continued membership of the Strategy and Investment Committee.

#### **4. Conclusions**

Following the analysis and assessment made, the Nomination and Remuneration Committee unanimously resolved on 26 April 2017 to submit a favourable report to the Board on the motion to be tabled at the AGM for ratification of the appointment by cooptation of Heralianz Investing Group, S.L. as director, resolved by the Board on 21

January 2016, and its appointment as executive director for the statutory term of four years.

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Madrid, 26 April 2017

**Annex 3****Curriculum of Félix Hernández Callejas**

Félix Hernández Callejas

(Tudela, Navarre, 28-03-1958)

He has a Law Degree from the University of Seville.

Having developed his entire career in the food industry, he has over 25 years' experience in the national and international rice sector, both in an executive role and on the boards of several subsidiaries of the Ebro Group operating in this sector.

He is vice-chairman of Instituto Hispánico del Arroz, S.A., joint and several director of Heralianz Investing Group, S.L., director of Magallanes Value Investors, SGIIC, S.A. and member of the Advisory Council of Caixabank in Andalusia.

He has a broad, thorough knowledge of the Ebro Foods Group, having been on the Board since 2007, first as a director in his own name and, since 2010, as the individual representing first Instituto Hispánico del Arroz, S.A. and now Heralianz Investing Group, S.L. on the Board.

Within the Ebro Group, he is CEO of the Herba Group in Europe and heads the R&D Department of the Group's rice business.

He speaks English.