

## **REPORT BY THE BOARD OF DIRECTORS OF EBRO FOODS, S.A. REGARDING THE PROPOSAL FOR RE-ELECTION OF ANTONIO HERNÁNDEZ CALLEJAS AS DIRECTOR.**

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### **1. Introduction**

Antonio Hernández Callejas was appointed Director of Ebro Foods, S.A. (“**Ebro**” or the “**Company**”) for the statutory term of four years by virtue of a resolution adopted at the annual general meeting on 4 June 2014. Antonio Hernández Callejas, as Executive Chairman of the Ebro Group, is an executive Director.

Pursuant to section 222 of the Corporate Enterprises Act, at the end of the term of appointment, that appointment expires on the date of the general meeting - or the end of the time stipulated for holding the general meeting - that is to approve the accounts of the previous year.

Accordingly, considering the imminent expiry of the appointment of Antonio Hernández Callejas as Company Director (as the AGM is scheduled for 5 June 2018 on first call, and 6 June 2018 on second call), the Board is considering tabling a motion at the forthcoming AGM for the re-election of Antonio Hernández Callejas as 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 re-election of Antonio Hernández Callejas as Director for the statutory term of four years has been previously assessed and a favourable report issued by the Nomination and Remuneration Committee pursuant to section 529.decies, paragraph 6 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 professional profile of Antonio 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 2018. They will also be incorporated in the corresponding minutes of the Board of Directors and General Meeting of shareholders 2018.

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

#### **2.1. Category of Director**

Pursuant to the Corporate Enterprises Act, section 529.duodecies.1, “*Executive directors are those who perform management duties in the company or its group, regardless of their legal relationship with it. ... / ... When a director performs management duties and, is or represents a significant shareholder or is represented on the board, that director will be considered an executive director.*”

Accordingly, Antonio Hernández Callejas will be an executive Director as long as he continues, as Executive Chairman, to perform executive and management duties in the Group.

## 2.2. Re-election by the general meeting of a Director

Pursuant to Article 20 of the Company's Articles of Association, 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. The re-election of Directors is also contemplated in section 221.2, second paragraph, of the Corporate Enterprises Act and in Article 30.1 of the Regulations of the Board.

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 and 6, 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).

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

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

The Board considers the re-election of Antonio Hernández Callejas as Director appropriate by virtue of the executive and management duties he has been performing in the Company and its Group as Executive Chairman, and the assessment made in this report.

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

The Board considers that Antonio Hernández Callejas has the necessary competence, experience and merits to continue as Director on the Board of Directors of Ebro, in view of the following qualities:

- The professional profile of Antonio Hernández Callejas and his in-depth knowledge of the food sector in general and the rice and pasta sectors in particular, on a national and international scale, and of the structure and activities of the Company and its Group.
- The brilliant performance by Antonio Hernández Callejas so far of the duties corresponding to the different positions he has held on the Board: since 2002, Director, vice-chairman and member of the Executive Committee of Ebro Foods, S.A.; subsequently, in 2004, managing Director; and since 2005, Executive Chairman of the Ebro Group and member of the Executive Committee and the Strategy and Investment Committee of the Company.
- Antonio Hernández Callejas has amply demonstrated his capacity and professional worth in the performance of his executive and management duties within the Ebro Group.
- The Ebro Group has experienced a spectacular national and international development under the leadership of Antonio Hernández Callejas. It is now number one in the global rice sector, the second manufacturer worldwide in the pasta sector and has positioned itself in over 70 countries in Europe, America, Africa and Asia.
- Antonio Hernández Callejas is the chief executive and one of the Group's key assets.

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, Antonio Hernández Callejas has informed the Company that he has sufficient availability to be able to correctly perform his duties.

#### **5. Conclusion**

In view of the foregoing, the Board considers that:

- 5.1. Antonio Hernández Callejas has the necessary qualifications and professional expertise required of Directors and the position of executive chairman in view of the needs of the Board and the Company and its Group, so it is appropriate to table a motion at the AGM for re-election of Antonio Hernández Callejas as Director of the Company for the statutory term of four years. Antonio Hernández Callejas is classified as an executive Director.
- 5.2. Said motion 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.

- 5.3. The proposal to re-elect Antonio Hernández Callejas is in keeping with the composition and present needs of the Board, previously analysed by the Nomination and Remuneration Committee.
- 5.4. The Hernández family, of which Antonio Hernández Callejas is a member, is the Company's principal shareholder.
- 5.5. In the Board's opinion, with the re-election of Antonio Hernández Callejas as Director, the composition of the Board reflects the relationship between the percentage of capital controlled by significant shareholders and the percentage held by institutional investors and minority shareholders, even though Antonio Hernández Callejas is actually classified as an executive Director because he performs executive and management duties in the Company and its Group.
- 5.6. It is convenient for Antonio Hernández Callejas to remain on the Board in order to maintain optimum stability and balance in the composition of this body.
- 5.7. Antonio Hernández Callejas is sufficiently available to ensure due performance of his executive and management duties as executive chairman.

In short, the Board considers Antonio Hernández Callejas a suitable candidate to be Director of the Company and that, as such, he would be an executive Director.

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Madrid, 25 April 2018.

Annexes:

Annex 1. Proposed resolution submitted to the General Meeting

Annex 2. Report by the Nomination and Remuneration Committee

Annex 3. Professional profile of Antonio Hernández Callejas

<p><b>The English version of this document and annexes is purely informative. In the event of any discrepancy between the Spanish and English versions of this document, the Spanish version will prevail.</b></p>
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**Annex 1**

**Proposed resolution submitted to the General Meeting**

*“Re-election of Antonio Hernández Callejas as Director.*

To re-elect Antonio Hernández Callejas as Director of the Company for the statutory term of four years. Antonio Hernández Callejas is classified as an executive Director.”

## Annex 2

### **REPORT BY THE NOMINATION AND REMUNERATION COMMITTEE OF EBRO FOODS, S.A. ON THE RE-ELECTION OF ANTONIO HERNÁNDEZ CALLEJAS AS DIRECTOR.**

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#### **1. Introduction**

Antonio Hernández Callejas was appointed Director of Ebro Foods, S.A. (“**Ebro**” or the “**Company**”) for the statutory term of four years by virtue of a resolution adopted at the annual general meeting on 4 June 2014. Antonio Hernández Callejas, Executive Chairman of the Ebro Group, is classified as an executive Director.

Pursuant to section 222 of the Corporate Enterprises Act, at the end of the term of appointment, that appointment expires on the date of the general meeting - or the end of the time stipulated for holding the general meeting - that is to approve the accounts of the previous year.

Furthermore, pursuant to section 221.2, second paragraph of the Corporate Enterprises Act, Article 20 of the Company’s Articles of Association and Article 30.1 of the Regulations of the Board, Directors may be re-elected on one or several occasions for terms of an equal duration to that contemplated in the articles of association.

Accordingly, considering the imminent expiry of the appointment of Antonio Hernández Callejas as Company Director (as the AGM is scheduled for 5 June 2018 on first call, and 6 June 2018 on second call), the Board is considering tabling a motion at the forthcoming AGM for the re-election of Antonio Hernández Callejas as Director for the statutory term of four years. Antonio Hernández Callejas is classified as an executive Director.

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).

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 the re-election of Antonio Hernández Callejas as Director for the statutory term of four years.

## **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 2017, 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 and four as independent Directors, and there were three women on the Board at that time.

The changes produced within the Board from 1 June 2017 to the date of this report are summarised below:

- Resignation by the proprietary Director Dr August Oetker on 1 June 2017, after the General Meeting of shareholders held on that day.
- Appointment by cooptation of Corporación Económica Delta, S.A. (represented by María Carceller Arce) as proprietary Director on 28 June 2017 to fill the vacancy produced by the resignation of Dr August Oetker.
- Resignation by the proprietary Director Javier Fernández Alonso on 31 January 2018.
- Appointment by cooptation of Corporación Financiera Alba, S.A. (represented by Javier Fernández Alonso) as proprietary Director on 31 January 2018 to fill the vacancy produced by the resignation of Javier Fernández Alonso.
- Resignation by the proprietary Director Corporación Económica Delta, S.A. (represented by María Carceller Arce) on 21 March 2018.
- Appointment by cooptation of María Carceller Arce as proprietary Director on 21 March 2018 to fill the vacancy produced by the resignation of Corporación Económica Delta, S.A.

At the date of issuing this report, the Board has twelve members (of a total of thirteen), two of whom were classified as executive Directors, six as proprietary Directors and four as independent Directors, and there are five women on the Board.

With this composition of the Board: (i) the four independent Directors represent 30.77% of the total positions on the Board (33.33% considering only the twelve positions filled) so Ebro, considered a small cap, complies with the recommendation of the Code of Good Governance for the number of independent Directors to represent at least one-third of the total Directors; and (ii) the female presence on the Board represents 38.46% of the total positions on the Board (41.67% considering only the twelve positions filled), which is higher than the goal set in the Policy for Selecting Directors, for the gender least represented on the Board to account for at least 30% of the total number of Directors by 2020, a goal that was reached in January 2017 and exceeded in June 2017.

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 5 June 2018 on first call and 6 June 2018 on second, it has decided to recommend and, in the case of non-independent Directors, issue a favourable report to the Board: (i) re-election of all the Directors whose appointments expire as of the date of the forthcoming AGM and (ii) ratification, re-election and/or appointment, for the statutory term of four years, of all the Directors appointed by cooptation since the last AGM.

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 and distribution 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 re-election of Antonio Hernández Callejas as Director**

The Nomination and Remuneration Committee took the following into consideration to issue this favourable report:

- a) The performance of Antonio Hernández Callejas of his duties as Director and Executive Chairman, right from when he took office in 2005, and his outstanding track record previously as Director, Vice-Chairman and managing Director of the Board.
- b) The professional profile of Antonio Hernández Callejas is suited to the peculiarities of the Company's business and his in-depth knowledge of the food sector in general and the rice and pasta sectors in particular, on both a national and international scale, and the structure and activities of the Company and the Group, make him an essential asset for Ebro.
- c) The satisfactory development of the Ebro Group on a national and international scale under his leadership. It is now number one in the global rice sector, the second manufacturer worldwide in the pasta sector and has positioned itself in over 70 countries in Europe, America, Africa and Asia.
- d) The Hernández family, of which Antonio Hernández Callejas is a member, is the Company's principal shareholder.
- e) The nomination of Antonio Hernández Callejas complies with the principles of the Company's Policy for Selecting Directors.
- f) Antonio Hernández Callejas has the time and skills necessary for due performance of his executive duties.



- g) Antonio Hernández Callejas is classified as an executive Director by virtue of the executive and management duties he has been performing for the Company and its Group since 2005.

#### **4. Conclusions**

Following the analysis and assessment made, the Nomination and Remuneration Committee unanimously resolved on 25 April 2018 to submit a favourable report to the Board on the motion to be tabled at the AGM for re-election of Antonio Hernández Callejas as Director for the statutory term of four years. Antonio Hernández Callejas is classified as an executive Director.

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Madrid, 25 April 2018.

### Annex 3

#### Professional profile of Antonio Hernández Callejas

(Navarra, 20-07-1955)

Antonio Hernández Callejas has a BA in Economics from the University of Seville and a diploma in Law.

He began his professional career in 1979 in Arrocerías Herba, a rice enterprise founded by the Hernández family.

In 2002, he was appointed Director, Vice-Chairman and member of the Executive Committee of Ebro Foods, S.A. and since then he has been a key figure in the transformation and international expansion of Ebro. In 2004, he was appointed Managing Director and in 2005 he became Executive Chairman of the Ebro Group.

Under his chairmanship, the Ebro Group has risen to number one in the global rice sector, the second manufacturer worldwide in the pasta sector and has positioned itself in over 70 countries in Europe, America, Africa and Asia, with a portfolio of over 80 brands.

Over his professional career, he has received several prizes and awards, such as the “Dinero” Business Prize for the best business management, Knight of the National Order of Merit of the Republic of France, Prize for Outstanding Business Career awarded by the Social Council of Seville University and the Confederation of Entrepreneurs from Seville (CES) and the Gold Medal of the City of Seville.

He speaks English, French and Italian.