

## **REPORT BY THE BOARD OF DIRECTORS OF EBRO FOODS, S.A. REGARDING THE PROPOSAL SUBMITTED BY THE NOMINATION AND REMUNERATION COMMISSION FOR RE-ELECTION OF FERNANDO CASTELLÓ CLEMENTE AS DIRECTOR.**

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### **1. Introduction**

Fernando Castelló Clemente 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. Fernando Castelló Clemente is an independent 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 Fernando Castelló Clemente as Director of Ebro Foods, S.A. and since the AGM is scheduled for 5 June 2018 on first call, and 6 June 2018 on second call, the Nomination and Remuneration Committee has submitted to the Board, to be laid before the shareholders at the forthcoming AGM, a proposal to re-elect Fernando Castelló Clemente as Director for the statutory term of four years. In addition, the proposal submitted by the Nomination and Remuneration Committee contains the report issued pursuant to Article 25.4(a) of the Regulations of the Board, containing an analysis of the composition and present needs of the Board, in accordance with the Company’s Policy for Selecting Directors.

The proposal submitted by the Nomination and Remuneration Committee is appended in **Annex 1** hereto.

The professional profile of Fernando Castelló Clemente, provided by the Nomination and Remuneration Committee, is also appended hereto, in **Annex 2**.

**Annex 3** contains the text of the proposed resolution drawn up by the Board to be tabled at the general meeting concerning the re-election of Fernando Castelló Clemente as Director for the statutory term of four years.

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 independent Director**

Pursuant to the Corporate Enterprises Act, section 529.duodecies.4, independent Directors are those who, appointed by virtue of their personal and professional qualities, are able to perform their duties without being conditioned in any way by relations with the Company or its Group, significant shareholders or executives. Directors falling into any of the cases contemplated in that section may by no means be considered independent.

Accordingly, Fernando Castelló Clemente would be considered an independent Director.

### **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 and 5, that the Nomination and Remuneration Committee is competent to propose the appointment of independent Directors and 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.

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. Assessment of the competence, experience and merits of the proposed candidate**

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

- He has a broad, thorough knowledge of the Ebro Foods Group, having been on the Board continuously since 2012, making him a valuable asset for the Board.
- His academic qualifications as Industrial Engineer and MBA from IESE and his professional experience in companies operating in the food and distribution sector give the Board a greater diversity of knowledge.

- His continuity on the Board is in keeping with the principles of 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, Fernando Castelló Clemente has informed the Company that he is sufficiently available to be able to correctly perform his duties.

#### **4. Conclusion**

In view of the foregoing, the Board considers that:

- 4.1. The proposal submitted by the Nomination and Remuneration Committee complies with the requirements established by the Corporate Enterprises Act, the Articles of Association and the Regulations of the Board, and with the principles of the Company's Policy for Selecting Directors.
- 4.2. The requirements established in law, the articles of association and regulations are met for the re-election of Fernando Castelló Clemente as Director for the statutory term of four years.
- 4.3. Re-election of Fernando Castelló Clemente as Director for the statutory term of four years is recommended to make the composition of the Board as stable as possible.
- 4.4. Fernando Castelló Clemente has so far done an excellent job as Director and made a valuable contribution to the Board, thanks to the broad, in-depth knowledge he has of the activities of the Ebro Group.
- 4.5. Fernando Castelló Clemente has the necessary qualifications and professional background required for this position, considering the needs of the Board, and is sufficiently available to perform his duties adequately, so it is appropriate to table a motion at the AGM for his re-election as Company Director for the statutory term of four years. Fernando Castelló Clemente is an independent Director.
- 4.6. Fernando Castelló Clemente has been in office as Director continuously since 2012 and is not affected by any relations with the Company or its Group, significant shareholders or executives, so his classification as an independent Director is appropriate.
- 4.7. Re-election of Fernando Castelló Clemente as an independent Director will enable the Company to maintain the number of independent Directors above the third recommended by the Code of Good Governance for listed small cap companies, like Ebro.

In short, the Board considers Fernando Castelló Clemente a suitable candidate to be Director of the Company and that, as such, he would be an independent Director.

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Madrid, 25 April 2018.

Annexes:

- Annex 1. Proposed appointment submitted by the Nomination and Remuneration Committee
- Annex 2. Professional profile of Fernando Castelló Clemente
- Annex 3. Proposed resolution for the Board to lay before the shareholders at the AGM

**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.**

## Annex 1

### **PROPOSAL SUBMITTED BY THE NOMINATION AND REMUNERATION COMMISSION OF EBRO FOODS, S.A. FOR RE-ELECTION OF FERNANDO CASTELLÓ CLEMENTE AS DIRECTOR**

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#### **1. Introduction**

Fernando Castelló Clemente 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 of shareholders on 4 June 2014, in the category of independent 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 Fernando Castelló Clemente as Director of the Company (since the AGM is scheduled for 5 June 2018 on first call, and 6 June 2018 on second call), the Nomination and Remuneration Committee has submitted to the Board, to be laid before the shareholders at the forthcoming AGM, a proposal to re-elect Fernando Castelló Clemente as Director for the statutory term of four years pursuant to the Corporate Enterprises Act, section 529.decies, paragraph 4. Fernando Castelló Clemente is an independent Director. In addition, this proposal contains the report issued pursuant to Article 25.4(a) of the Regulations of the Board, which 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.

#### **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. Resolution proposed by the Nomination and Remuneration Committee**

The Nomination and Remuneration Committee submits to the Board (for assessment and, if appropriate, presentation at the AGM) a proposal to re-elect Fernando Castelló Clemente as Director for the statutory term of four years. Mr Castelló Clemente is classified as an independent Director.

### **4. Assessment of the candidate for report to the Board**

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

Accordingly, the proposal for re-election made in the preceding section is based on assessment of the suitability of the candidate, founded on the following:

- a) The excellent work as Director performed so far by Fernando Castelló Clemente, who has amply demonstrated his capacity and professional worth in the performance of his duties and his valuable contribution to the Board, thanks to the broad, in-depth knowledge he has of the activities of the Ebro Group.
- b) The adequate merits of Fernando Castelló Clemente to hold office as Director, in view of his academic qualifications and professional experience, particularly his qualification as an Industrial Engineer and MBA from IESE and his professional experience in companies operating in the food and distribution sector.
- c) The fact that Fernando Castelló Clemente has the time necessary for due performance of his duties.
- d) It is convenient for Fernando Castelló Clemente to remain on the Board in order to maintain optimum stability and balance in the composition of this body.
- e) The re-election of Fernando Castelló Clemente as Director complies with the applicable legal, statutory and regulatory provisions and the principles of the Company's Policy on Selecting Directors.
- f) Fernando Castelló Clemente has held office as Director continuously since 2012 and is not affected by any relations with the Company or its Group, significant shareholders or executives, so his classification as an independent Director is appropriate.

Together with this proposal and report, the Nomination and Remuneration Committee submits the candidate's professional profile, annexed hereto, for the Board to present to the general meeting, if appropriate.

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Madrid, 25 April 2018.



**Annex 2**

**Professional profile of Fernando Castelló Clemente**

(Lleida, 29-11-1945)

Industrial Engineer and MBA (IESE).

He has been a lecturer at the School of Engineers and Architects of Fribourg (Switzerland).

He has held several important executive and management positions in companies operating in the dairy sector and distribution in the food sector.

He is on the Boards of several companies operating in the fields of alternative energies and construction.

He is currently vice-chairman of Merchpensión, S.A. and Director of Merchbanc, S.A.

**Annex 3**

**Proposed resolution submitted to the General Meeting**

*“Re-election of Fernando Castelló Clemente as Director.*

To re-elect Fernando Castelló Clemente as Director of the Company for the statutory term of four years. Fernando Castelló Clemente is classified as an independent Director.”