

SPECIFIC REPORT BY THE NOMINATION AND REMUNERATION COMMITTEE OF EBRO FOODS, S.A. ON THE DIRECTORS' REMUNERATION POLICY 2019-2021

1. Introduction

Section 529 novodecies of the Corporate Enterprises Act contemplates the obligation of listed companies to have a Directors' remuneration policy, approved by the General Meeting of Shareholders at least every three years in a separate item on the agenda.

The proposed remuneration policy to be laid before the General Meeting by the Board must be accompanied by a specific report by the Nomination and Remuneration Committee; and both the proposed policy and the Committee report must be made available to shareholders on the Company's website as from the date of call to the General Meeting.

The aforesaid section was included into the Corporate Enterprises Act by Act 31/2014 of 3 December, amending the Corporate Enterprises Act to enhance Corporate Governance, the Transitional Provision of which provided, in section 2, that: "*Section 529 novodecies of the recast Corporate Enterprises Act shall enter into force as from 1 January 2015 and be applicable to listed corporations as follows:*

- a) *If the first annual general meeting of shareholders held after 1 January 2015 approves, in an advisory vote, the directors' remuneration report, the company's remuneration policy contained therein shall also be deemed approved for the purposes of section 529 novodecies and that section shall be applicable to the company as from that time.*
- b) *If the first annual general meeting of shareholders does not approve, in an advisory vote, the directors' remuneration policy, then the directors' remuneration policy shall be submitted to the general meeting for binding approval no later than the end of the following year, pursuant to section 529 novodecies and with effect from the year after that."*

The following resolution was adopted under item ten on the agenda at the Annual General Meeting of Ebro Foods, S.A. ("**Ebro**" or the "**Company**") held on 3 June 2015:

"In an advisory vote, to vote for the Annual Report on the Remuneration of Directors, which contains the remuneration policy for directors of the company contemplated in section 529 novodecies of the Corporate Enterprises Act.

Pursuant to section 2 of the Transitional Provision of Act 31/2014 of 3 December amending the Corporate Enterprises Act to enhance Corporate Governance, through approval in an advisory vote of the Report on Directors' Remuneration the remuneration policy contained therein is considered approved for the purposes contemplated in section 529 novodecies of the Corporate Enterprises Act."

Accordingly, the current remuneration policy for the Company's Directors has been and is valid for the years 2016, 2017 and 2018, so a new Directors' Remuneration Policy for 2019, 2020 and 2021 must be laid before the General Meeting for approval. That new

Directors' Remuneration Policy must be proposed to the Board by the Nomination and Remuneration Committee (pursuant to section 529 quinquies.3(g) of the Corporate Enterprises Act), for which purpose the Nomination and Remuneration Committee issues this specific report.

The proposed Directors' Remuneration Policy for 2019, 2020 and 2021 (the "**Proposal**") is annexed to this report.

2. Report

The Proposal contains a policy identical to the policy in force for the period 2016-2018, replicating both the principles on which the remuneration is based and the structure of Directors' remuneration, distinguishing between remuneration for their duties as such and remuneration of the executive Directors for performing executive duties.

Therefore, once again, the remuneration of Directors for their duties as such and of executive Directors for their executive duties is based on the following principles:

- (i) Directors shall be remunerated according to their duties, responsibilities and dedication.
- (ii) This remuneration shall be such as to retain talent and acknowledge the Directors' track record, without compromising their independence of judgement, especially that of non-executive Directors.
- (iii) The remuneration shall be set according to the importance of the Company and its economic situation from time to time, and in line with comparable market standards.
- (iv) The remuneration system of Directors, especially that of executive Directors for their executive duties, shall seek to boost the company's long-term sustainability and profitability and maximise its value for the benefit of all its shareholders, avoiding excessive exposure to risks and reward for unfavourable results.

The Proposal maintains the structure of Directors' remuneration for their duties as such, consisting of two parts:

- a) The "Statutory Share", a fixed amount decided by the General Meeting, not exceeding the limit of two and a half per cent (2.5%) of the consolidated profits attributable to the Company.

The amount set by the General Meeting within that limit will be distributed among the Board members according to the specific duties of each director on the Board and the different Committees. That distribution is based on the points system established by the Board, which is identical to that applied in previous years.

- b) Attendance fees for Board and committee meetings, maintaining the same amounts as those applied in the current policy.

The remuneration of executive Directors for the performance of executive duties also maintains the same structure as the current policy, consisting of three pay items:

- a) The annual non-variable remuneration. As a rule, this remuneration is subject to annual review on the same terms as those applicable to all Directors of the Company (as parent of the Group). However, in exceptional circumstances and following a proposal and favourable report by the Nomination and Remuneration Committee, the Board may make an extraordinary review apart from the general review applicable for all Company Directors.
- b) The annual variable remuneration, linked to meeting the consolidated EBITDA target set in the budget, maintaining the same limits (for both the level of achievement of the target and the amount of the variable remuneration) as those established in the current policy.
- c) The deferred annual variable remuneration, tied to the Group's three-year strategic plans, which is also maintained on the same terms (targets, amounts, rules for accrual, possible clawback, etc.).

The rest of the current terms regarding the pay structure and contractual relationship of executive Directors for performance of their executive duties are maintained in the Proposal, pointing out that some of them (such as the non-existence of termination benefits or continued service or post-contract no competition clauses) are currently established in consideration of the status of the only executive Director who performs executive duties, as controlling shareholder of the Company.

3. Validity

If the Board accepts the Proposal contemplated in this report, decides to lay it before the general meeting and it is approved, the Directors' Remuneration Policy contained therein will be effective for 2019, 2020 and 2021.

Any modification or replacement of that policy during its effective term will require prior approval by the General Meeting.

4. Conclusions

The Nomination and Remuneration Committee considers that the policy contained in the Proposal: (i) complies with the provisions of law, the Articles of Association and regulations on directors' remuneration, (ii) conforms to the principles of that remuneration, and (iii) is in line with the company's corporate governance principles. Consequently, it concludes that it is adequate and aligned with the interests of the Company, its shareholders and other stakeholders. It has also taken into account that since this policy coincides with the one that has been and is being applied in 2016, 2017 and 2018 (which was approved by the general meeting), its effectiveness has been proved over time.

Based on all the foregoing, the Committee has decided to submit the Proposal, together with its favourable report, to the Board of Directors of the Company, so that the latter may, in turn, assess whether to lay it before the General Meeting for approval, in pursuance of prevailing legal provisions.

Madrid, 25 April 2018.

The English version of this document and the annex is purely informative.

In the event of any discrepancy between the Spanish and English versions of this document, the Spanish version will prevail.