

**REPORT BY THE BOARD OF DIRECTORS OF EBRO FOODS, S.A. REGARDING THE PROPOSAL FOR RATIFICATION OF THE APPOINTMENT BY COOPTATION, RE-ELECTION AND APPOINTMENT OF CORPORACIÓN FINANCIERA ALBA, S.A., REPRESENTED BY JAVIER FERNÁNDEZ ALONSO, AS DIRECTOR**

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**1. Introduction**

On 31 January 2018, the Board of Directors of Ebro Foods, S.A. (the “**Company**”) resolved to appoint Corporación Financiera Alba, S.A., represented by Javier Fernández Alonso, by cooptation as proprietary non-executive Director to fill the vacancy produced by the resignation tendered that day by Javier Fernández Alonso, who had been appointed for a term of four years ending 4 June 2018.

The appointment of Corporación Financiera Alba, S.A., represented by Javier Fernández Alonso, 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 4, 5, 6 and 7 of the Corporate Enterprises Act, which were appended to the minutes of that Board meeting.

The appointment by cooptation of Corporación Financiera Alba, S.A. as Director and the designation of Javier Fernández Alonso as its representative, were entered in the Company’s page of the trade register (M-271855) on 20 March 2018, entry no. 131.

As the first general meeting of shareholders following the appointment by cooptation of Corporación Financiera Alba, S.A. as Director 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 ratification of the appointment by cooptation and re-election and appointment of Corporación Financiera Alba, S.A. 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 ratification, re-election and appointment of Corporación Financiera Alba, S.A., represented by Javier Fernández Alonso as 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 professional profile of Javier Fernández Alonso 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.3, proprietary Directors are those with a shareholding interest equal to or greater than that considered by law as significant, or appointed by virtue of their status as shareholders, even though their interest does not reach that level, and those representing shareholders as above.

Accordingly, Corporación Financiera Alba, S.A. will be a proprietary Director as long as it continues to be a significant shareholder of the Company.

### **2.2. Ratification, re-election and appointment by the general meeting of a 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); (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); and (iii) 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 Corporación Financiera Alba, S.A., represented by Javier Fernández Alonso, as Director appropriate by virtue of its status as significant shareholder of the Company and the assessment made in this report.

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

Corporación Financiera Alba, S.A. is a Spanish company with registered office at c/ Castelló nº 77, 5ª planta, Madrid and tax number A-28060903, registered with the Madrid

Trade Register, volume 417, folio 196, page M-8078. Its objects include, among other activities, the acquisition by subscription or purchase, holding and disposal of public and private securities and all kinds of financial assets, and the organisation and promotion of companies.

The individual representing it in the performance of its duties as Director of Ebro Foods, S.A. would be Javier Fernández Alonso, a former proprietary Director, as he previously represented the significant shareholder Corporación Financiera Alba, S.A., whose retirement produced the vacancy filled with the appointment by cooptation of Corporación Financiera Alba, S.A. as proprietary Director.

The Board considers that Javier Fernández Alonso has the necessary competence, experience and merits to represent the Director Corporación Financiera Alba, S.A. 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 January 2017, during which time he was also a member of the Executive Committee and the Strategy and Investment Committee.
- He has experience in the position of Director of commercial enterprises, holding or having held office as such, and as a member of different committees, both in Ebro and in other listed companies.
- His academic background in Business Management and Administration and his specific training in finance make 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 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, Javier Fernández Alonso has informed the Company that he is sufficiently available to be able to correctly perform his duties.

## **5. Conclusion**

In view of the foregoing, the Board considers that:

- 5.1. It is appropriate to table a motion at the AGM for ratification of the appointment by cooptation of Corporación Financiera Alba, S.A. as Director, made by the Board on 31 January 2018, and re-elect and appoint it Director of the Company for the statutory term of four years, with Javier Fernández Alonso as its representative on the Board of Directors of Ebro Foods, S.A. Corporación Financiera Alba, S.A. is classified as a proprietary Director.
- 5.2. 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.

- 5.3. The appointment is in keeping with the composition and present needs of the Board, previously analysed by the Nomination and Remuneration Committee.
- 5.4. Corporación Financiera Alba, S.A. is a significant shareholder of the Company.
- 5.5. In the Board's opinion, with the appointment of Corporación Financiera Alba, S.A. as proprietary 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.
- 5.6. Javier Fernández Alonso has the 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 Corporación Financiera Alba, S.A. on the Board of Directors of Ebro Foods, S.A.

In short, the Board considers Corporación Financiera Alba, S.A., represented by Javier Fernández Alonso, a suitable candidate for appointment as a Director of the Company and that, as such, it would be a proprietary 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 Javier Fernández Alonso

<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**

*“Ratification of the appointment by cooptation, and re-election and appointment of Corporación Financiera Alba, S.A. as Director.*

To ratify the appointment by cooptation of Corporación Financiera Alba, S.A. as Director, made by the Board on 31 January 2018, and re-elect and appoint it Director of the Company for the statutory term of four years. Corporación Financiera Alba, S.A. is classified as a proprietary Director.”

## Annex 2

### **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 CORPORACIÓN FINANCIERA ALBA, S.A., REPRESENTED BY JAVIER FERNÁNDEZ ALONSO, AS DIRECTOR**

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#### **1. Introduction**

On 31 January 2018, the Board of Directors of Ebro Foods, S.A. (the “**Company**”) resolved to appoint Corporación Financiera Alba, S.A., represented by Javier Fernández Alonso, by cooptation as proprietary Director to fill the vacancy produced by the resignation tendered that day by Javier Fernández Alonso.

The appointment of Corporación Financiera Alba, S.A., represented by Javier Fernández Alonso, 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 and Article 25.4(a) of the Regulations of the Board.

The Board is considering tabling a motion at the forthcoming Annual General Meeting (AGM) of shareholders of the Company, to be held on 5 June 2018 on first call or 6 June 2018 on second call, for ratification of the appointment by cooptation of Corporación Financiera Alba, S.A. and its re-election and appointment as 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 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 Corporación Financiera Alba, S.A. and its re-election and appointment as Director for the statutory term of four years.

In pursuance of paragraph 7 of section 529 decies Corporate Enterprises Act, this report also embraces Javier Fernández Alonso as the individual representing Corporación Financiera Alba, S.A. 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 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 ratification of the appointment by cooptation and re-election and appointment of Corporación Financiera Alba, S.A. as Director**

Corporación Financiera Alba, S.A. is a Spanish company with registered office at c/ Castelló nº 77, 5ª planta, Madrid and tax number A-28060903, registered with the Madrid Trade Register, volume 417, folio 196, page M-8078. Its objects include, among other activities, the acquisition by subscription or purchase, holding and disposal of public and private securities and all kinds of financial assets, and the organisation and promotion of companies.

The individual representing it in the performance of its duties as Director of Ebro would be Javier Fernández Alonso, i.e. the same person who, up to the appointment of the above-mentioned significant shareholder as Director, had the status (directly, as an individual) of proprietary Director of the Company (appointed at the proposal of the significant shareholder).

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

- a) Corporación Financiera Alba, S.A. is a significant shareholder of the Company.
- b) The AGM of Ebro held on 1 June 2017 resolved, based on the favourable reports of the Nomination and Remuneration Committee and the Board, to ratify the appointment by cooptation of Javier Fernández Alonso as proprietary Director, made by the Board on 25 January 2017.

- c) Javier Fernández Alonso, who represents Corporación Financiera Alba, S.A. on the Board, had been a proprietary Director proposed by the significant shareholder Corporación Financiera Alba, S.A.
- d) Corporación Financiera Alba, S.A. would be represented on the Board of Directors of Ebro by Javier Fernández Alonso, i.e. the same person who has been performing directly the duties of proprietary Director, nominated by and representing Corporación Financiera Alba, S.A. (as significant shareholder of the Company). In this regard, the Nomination and Remuneration Committee considers that nomination as representative very positive, owing to the valuable contribution by Javier Fernández Alonso to the Board and the knowledge that he has acquired of the Ebro Group's activities.
- e) The appointment of Corporación Financiera Alba, S.A. as Director, represented by Mr Fernández Alonso, is in keeping with the principles established in the Company's Policy for Selecting Directors.
- f) Corporación Financiera Alba, S.A. is classified as a proprietary Director by virtue of its status as a significant shareholder of the Company.

Furthermore, with regard to Javier Fernández Alonso as representative of Corporación Financiera Alba, S.A. on the Board of Directors of Ebro Foods, S.A., the Nomination and Remuneration Committee has valued his academic qualifications and professional experience as BA in Business Management and Administration, his specific training in finance, his recognised experience as Director and member of several committees in different listed companies and the knowledge he has acquired of the business of the Ebro Group, having been on its Board of Directors since January 2017.

#### **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 ratification of the appointment by cooptation of Corporación Financiera Alba, S.A., represented by Javier Fernández Alonso, as Director (resolved by the Board on 31 January 2018), and its re-election and appointment as Director for the statutory term of four years. Corporación Financiera Alba, S.A. is classified as a proprietary Director.

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Madrid, 25 April 2018

**Annex 3****Professional profile of Javier Fernández Alonso**

(Bilbao, 15-08-1977)

BA in Business Management and Administration from Deusto University (La Comercial), specialising in Finance, passed Cum Laude.

He is Investment Manager of Corporación Financiera Alba, S.A., with extensive experience in business management and administration.

He is also on the Boards of Euskaltel, Parques Reunidos Servicios Centrales, S.A., Artá Capital and Deyá Capital and on the Investment Committee of Artá Capital, among other responsibilities.

Among his teaching activities, he was a lecturer in the Advance Valuation section of the MBA Deusto, Bilbao; finance lecturer at the Deusto Business School on the Bancomer summer course on Financial Development, Management and Innovation, in Madrid; and Corporate Finance lecturer in the preparatory course for the CIIA (Certified International Investment Analyst) examination, organised by Fundación de Estudios Financieros (Bilbao Stock Exchange).

He was part of the team that won Fourth Prize in the Business Initiative Competition organised by Bilbao Bizkaia Kutcha in December 2000, with a project to set up an information technology consultancy focusing on SMEs in the Basque Country.

He speaks English.