

## ANNUAL ACTIVITY REPORT OF THE NOMINATION AND REMUNERATION COMMITTEE OF EBRO FOODS, S.A. FOR THE YEAR ENDED 31 DECEMBER 2018

---

### 1. Duties and responsibilities

The Nomination and Remuneration Committee was set up by virtue of a resolution adopted by the Board of Directors on 22 September 1998. As a delegated committee of the board it has the duties and responsibilities attributed to it by law, the Articles of Association and the Regulations of the Board of Directors of Ebro Foods, S.A. (the "Company").

The requirement imposed on companies by the current Corporate Enterprises Act to have a committee of this nature brought nothing new to the Company, which, as mentioned above, had had a Nomination and Remuneration Committee since 1998.

With regard to its duties, section 529 quidecimes of the Corporate Enterprises Act establishes that, *"without prejudice to any other duties assigned to it by law, the articles of association or, in accordance therewith, the regulations of the board of directors, the nomination and remuneration committee shall have at least the following duties:*

- a) Assess the powers, expertise and experience required in the board of directors. It shall define the duties and skills required of the candidates who are to fill each vacancy and assess the necessary time and dedication for directors to perform their duties effectively.*
- b) Establish a target representation for the gender least represented on the board and draw up guidelines on how to reach that target.*
- c) Propose independent directors for appointment by the board by cooptation or submission of the decision to the general meeting, as well as proposals for the re-election or removal of those directors by the general meeting.*
- d) Inform on nominations for other directors for appointment by cooptation or submission of the decision to the general meeting, as well as proposals for the re-election or removal of those directors by the general meeting.*
- e) Inform on proposals for the appointment and removal of senior executives and the basic terms of their contracts.*
- f) Study and organise the succession of the chairman of the board and CEO of the company and, where appropriate, submit proposals to ensure that the succession is well-planned and made in an orderly fashion.*
- g) Propose the remuneration policy to the board for directors, general managers or any performing senior management duties reporting directly to the board, executive committees or managing directors, as well as the individual remuneration and other terms of contract of the executive directors, overseeing compliance with the policy."*

Article 25.4 of the Regulations of the Board establishes the following: *"In addition to any other powers corresponding to it by law, the Articles of Association or these Regulations, the Committee shall study, issue reports and submit proposals for the Board, at its request, on the following matters:*

*a) Definition and, where appropriate, revision of the criteria to be followed for the composition and structure of the Board and selection of candidates to join the Board, informing always prior to the appointment of a Director by cooptation or the submission to the General Meeting of any proposal regarding the appointment or removal of Directors.*

*b) Appointment of the Chairman, and Vice-Chairman if any, of the Board, Managing Director(s), Lead Independent Director and the Secretary, and Vice-Secretary if any, of the Board; appointment of Directors to the Committees of the Board; and appointment and possible dismissal of senior executives and their termination benefit clauses.*

*c) Position of the Company regarding the appointment and removal of board members in subsidiaries.*

*d) Proposal of directors' emoluments, according to the system of remuneration established in the Articles of Association and the executive directors' relationship with the Company. The Committee shall also inform in advance on any resolution or proposal of the Board on the remuneration of directors and executives indexed to the value of the shares in the Company or its subsidiaries or consisting of the delivery of shares in the Company or its subsidiaries or the granting of options thereover.*

*e) Supervision of the senior management remuneration and incentives policy, obtaining information and reporting on the criteria followed by the Company's subsidiaries in this respect.*

*f) Assessment of the principles of the management training, promotion and selection policy in the parent company and, where appropriate, in its subsidiaries.*

*g) Examination and organisation, as deemed adequate, of the succession of the Chairman and chief executive and, if appropriate, submission of proposals to the Board to ensure that such succession is made in an orderly, well-planned manner.*

*h) Preparation and proposal of the Annual Report on Directors' Remuneration and the Directors' remuneration policy in accordance with the laws and regulations in place from time to time.*

*i) Setting targets for the representation of the least represented gender on the Board and issue guidelines on how to achieve them."*

## **2. Composition**

The composition of the Nomination and Remuneration Committee is regulated in Article 28.3 of the company's Articles of Association and Article 25.1 of the Regulations of the Board.

As stipulated in Article 28.3 of the Articles of Association, “A *Nomination and Remuneration Committee shall also be set up within the Board, with no fewer than three nor more than five members appointed by the Board. All the members of this Committee shall be non-executive directors and at least two of them shall be independent directors.*

*The Board shall appoint one of the independent directors on the Nomination and Remuneration to chair that committee. In the event of absence or temporary unavailability of the Chairman, he shall be substituted by a member of the Committee provisionally so nominated by the Board, or otherwise by the Committee member designated by the Committee for the specific meeting.”*

Article 25.1 of the Regulations of the Board establishes that, “A *Nomination and Remuneration Committee shall also be set up within the Board, with no fewer than three nor more than five directors. All the members of this Committee shall be non-executive directors and at least two of them shall be independent directors, appointed by the Board pursuant to the law, the Articles of Association and these Regulations.”*

The composition of the Nomination and Remuneration Committee from 1 January 2018 up to the date of this report was as follows, with the variations indicated:

- Fernando Castelló Clemente – Chairman (independent director)
- Demetrio Carceller – Member (proprietary director)
- Grupo Tradifín, S.L. (Blanca Hernández Rodríguez) - Member (proprietary director).
- Mercedes Costa García – Member (lead independent director). Appointed member of the Nomination and Remuneration Committee on 22 November 2018.
- Belén Barreiro Pérez-Parto - Member (independent director). Appointed member of the Nomination and Remuneration Committee on 19 December 2018.

Pursuant to the Regulations of the Board, Luis Peña Pazos, (non-director) Secretary of the Board, is also (non-member) Secretary of the Nomination and Remuneration Committee.

Both the Nomination and Remuneration Committee and the Board of Directors consider the current composition of the Committee adequate. The key qualities of its members include their expertise and experience in corporate governance, human resources strategies, senior management duties and the designing of remuneration plans. In most cases these qualities derives from their extensive business experience in medium and large cap enterprises. A summary of the educational qualifications and professional experience of the members of the Nomination and Remuneration Committee can be found on the corporate website: [www.ebrofoods.es](http://www.ebrofoods.es).

The current composition of the Committee is also considered to have adequate diversity, both in expertise and experience and in matters relating to gender and the category of directors. There are currently three women (out of five members, i.e. 60%) on the Nomination and Remuneration Committee and most of the members are independent

directors (also three out of five, i.e. 60%). Before Belén Barreiro Pérez-Parto joined the Committee, it was also controlled by independent directors because the Chairman of the Committee, who was an independent director, had a casting vote in the event of a tie.

Although both the proprietary directors on the Committee represent shareholders with a significant interest in the company's capital, they are not considered to have a controlling influence on the management of the company and its Group, so they are considered to meet the requirements for adequate performance of their duties.

### **3. Procedure**

Pursuant to Article 28.3 of the Articles of Association, *“The Nomination and Remuneration Committee shall meet with the frequency stipulated in the Regulations of the Board and as and when called by its Chairman, whenever so decided by at least two of its members or at the request of the Board. Committee meetings shall be held at the registered office or wheresoever else may be decided by the Chairman and indicated in the notice of call, and shall be quorate when attended, in person or by proxy, by the majority of its members. Resolutions shall be carried with the votes in favour of the majority of members attending the meeting. In the event of a tie, the Chairman, or acting Chairman, shall have the casting vote. The Secretary of the Committee shall be appointed by the Board and shall issue minutes of the resolutions adopted, which shall be reported to the Board.”*

And according to Article 25.3 of the Regulations of the Board, *“The Committee shall meet whenever called by its Chairman or at the request of two of its members and at least once every three months. It shall also meet whenever so required by law or when the Board requests the issuance of reports, submission of proposals or adoption of resolutions within the scope of its duties.”*

Furthermore, Article 22 of the Regulations of the Board contains general provisions applicable to all the Committees of the Board.

### **4. Summary of activities performed during 2018**

The Nomination and Remuneration Committee held eleven meetings in 2018, all attended by the Committee Chairman.

The actions taken by the Nomination and Remuneration Committee during the year are summarised below:

- **Meeting on 31 January 2018:**
  - The Committee studied and agreed to issue a favourable report to the Board on the appointment of the proprietary director Corporación Financiera Alba, S.A. to replace the director Javier Fernández Alonso. Mr Fernández Alonso had up to that time been a proprietary director proposed by that same significant shareholder and would now become the individual representative of the new proprietary director. The Committee assessed the suitability of the new corporate director (Corporación Financiera Alba, S.A.) and updated the assessment originally made of the individual, Javier Fernández Alonso,

unanimously resolving to submit a favourable report to the Board on the aforesaid appointment.

- **Meeting on 7 February 2018:**

- The Committee analysed the degree of achievement of the quantitative targets to which the variable remuneration of the executive director, senior executives and other Group employees is tied and agreed to issue a favourable report to the Board on the proposals regarding: (i) the variable remunerations (bonus) for 2017 payable to the executives (including the Executive Chairman) and other Group employees who participate in the bonus scheme; (ii) the fixed remuneration of company directors for their duties as such and attendance fees for meetings in 2018; (iii) the fixed remuneration of Group directors and executives for 2018; and (iv) the quantitative conditions to which the variable remuneration of executives (including the Executive Chairman) and other Group employees participating in the bonus scheme may be subject in 2019.
- It further resolved to recommend the board to pay the Directors the second instalment of the share in profits corresponding to 2017.

- **Meeting on 28 February 2018:**

- The Committee made a specific analysis of the bonus scheme in the Group's Canadian subsidiary, especially the part of the variable remuneration of the executives and employees of that subsidiary tied to the achievement of quantitative targets for 2018.
- It also assessed the special performance of one of the Group's professionals in a specific matter, proposing that the Board grant that professional an extraordinary bonus on the terms proposed by the Executive Chairman.

- **Meeting on 21 March 2018:**

- The Committee studied and agreed to issue a favourable report to the Board on the appointment of María Carceller Arce as proprietary director to replace the director and significant shareholder Corporación Económica Delta, S.A., which had up to that date been proprietary director represented by María Carceller Arce. Therefore, with this appointment the representative of the corporate director would personally have the status of proprietary director proposed by the significant shareholder Corporación Económica Delta, S.A. The Committee updated its original assessment of María Carceller Arce (when she was appointed representative), unanimously resolving to submit a favourable report to the Board on her appointment.
- The Committee studied and agreed to recommend the Board, with a favourable report, to approve the Report on Directors' Remuneration for 2017, to be put to an advisory vote at the AGM as a separate item on the agenda.

- The Committee studied and agreed to issue a favourable report to the Board on the information included in the Annual Corporate Governance Report 2017 on remuneration and categories of directors.
  - The Committee was informed on the progress of assessment of the Board, its Chairman and Committees in 2017. As agreed by the Committee, this assessment was being made with assistance from an external consultant. The general outlines of the process recommended by the external consultant were defined at the meeting.
  - The Nomination and Remuneration Committee Activity Report 2017 was prepared, to be submitted to the Board of Directors.
- **Meeting on 25 April 2018:**
- The Committee studied and agreed to issue a favourable report to the Board on the motion to be tabled at the AGM for ratification, re-election and appointment of directors, issuing the appropriate reports. The Committee also examined the composition of the Board of Directors and the vacancy thereon, agreeing on the resolutions to be proposed to the Board in this respect, to be laid before the shareholders at the AGM.
  - The Committee studied the need to lay the Directors' Remuneration Policy 2019-2021 before the General Meeting. Prior to its review, it was resolved to inform the Board on the submission of that Policy to the General Meeting for approval, issuing the necessary specific report for this.
  - The assessment of the Board, its Chairman and Committees in 2017 was monitored, checking the questionnaire proposed by the external consultant.
- **Meeting on 5 June 2018:**
- Single-theme meeting to monitor the assessment of the Board, its Chairman and Committees in 2017.
- **Meeting on 27 June 2018:**
- The Committee reviewed the composition of the Board Committees in the wake of the ratifications, re-elections and appointments of directors by the General Meeting held that month, and resolved to submit a proposal to the Board for re-election of their members.
  - The assessment of the Board, its Chairman and Committees in 2017 was monitored.
- **Meeting on 26 September 2018:**
- It was resolved to propose to the Board, with a favourable report, approval of the employee Share Delivery Plan 2018.

- The assessment of the Board, its Chairman and Committees in 2017 was monitored, analysing the preliminary conclusions of the external consultant in view of the replies given by directors to the questionnaires.
- **Meeting on 24 October 2018:**
  - The Committee studied the composition of the Board and, in view of the vacancy existing and after analysing the professional profile of the candidate and checking how he would fit into the Policy for Selecting Directors and Diversity in the Composition of the Board of Directors, resolved to recommend the Board to appoint Pedro Antonio Zorrero Camas independent director and member of the Executive Committee. The corresponding report was issued.
  - The Committee checked the final report issued by the external consultant on the assessment of the Board, its Chairman and Committees in 2017. In particular, it analysed the conclusions and consultant's proposals for action, in view of which the Committee proposed a plan to act on those recommendations. The proposed action plan was submitted to the Board for consideration and approval, if appropriate.
- **Meeting on 22 November 2018:**
  - The Committee examined the composition of the Board Committees and resolved to submit several resolutions to the Board in respect thereof. In particular, in view of the decision notified by José Ignacio Comenge Sánchez-Real (whose mandate as Chairman was about to expire) to step down as member of the Audit and Compliance Committee and Lead Independent Director, the Committee resolved to submit a proposal to the Board for: (i) incorporation of the independent director Pedro Antonio Zorrero Camas as member of that Committee; and (ii) the appointment of Mercedes Costa García to chair the Audit and Compliance Committee and as Lead Independent Director.
- **Meeting on 19 December 2018:**
  - The Committee reviewed the composition of the Board Committees and resolved to submit several resolutions to the Board in respect thereof. In particular, in view of the decision notified by Belén Barreiro Pérez-Pardo to resign from the Audit and Compliance Committee, the Committee resolved to submit a proposal to the Board to appoint the proprietary director Corporación Financiera Alba, S.A. (represented by Javier Fernández Alonso) as member of that Committee.

## **5. Principal aspects of the Committee's actions**

### **5.1. Assessment of candidates and proposals for the appointment of directors and/or members of the Board Committees**

At several meetings held during 2018, the Nomination and Remuneration Committee assessed, made proposals and/or issued favourable reports on both the ratification, re-election and appointment of directors (proposals submitted for both the Board of Directors and the General Meeting of Shareholders) and the composition of the Committees. In addition, at its meeting in November 2018, the Committee analysed and proposed the appointment of the Lead Independent Director.

Prior to the assessment of these matters and the drafting of proposals and/or issuance of favourable reports, the Committee first analysed the composition of the Board or Committee, as the case may be, and subsequently assessed the ability of the proposed candidate to contribute value and diversity to the respective body. Within its assessment of the candidates, the Committee also made sure that any proposal it submitted conformed to the principles set out in the Policy for Selecting Directors and Diversity in the Composition of the Board of Directors approved by the Board of Directors.

These actions took place at several meetings during 2018 (as specified above), taking account of the prevailing circumstances at each time.

### **5.2. Remuneration of directors and executives**

In February each year (when the financial information for the previous year is practically finalised), the Nomination and Remuneration Committee checks that the quantitative budgets to which the variable remuneration of executives and other Group employees is tied have been met (with a view to submitting a proposal to the Board).

In addition to general aspects, the Committee makes a specific analysis of the remuneration of executives who are considered part of the senior management for pay purposes. Essentially, the senior management consists of the Executive Chairman, the Chief Operating Officer (COO), the Secretary of the Board and the Company and the managers of the different business units of the Ebro Foods Group.

Apart from checking the quantitative criteria to which the annual bonus is linked, the Committee examines the aspects affecting the deferred bonus established for certain senior executives, corresponding to the goals established in the three-year strategic plans.

Finally, the Committee assesses and submits to the Board: (i) a proposal for the fixed remuneration of directors for their duties as such; (ii) the review, if necessary, of the fixed remuneration of executives and employees for the following year; and (iii) a proposal to maintain or change, as appropriate, the amounts or criteria for determining the remuneration of executives and employees for the following year.

All these aspects were dispatched by the Nomination and Remuneration Committee at its meeting on 7 February 2018. Subsequently, on 28 February, the Committee specifically discussed the bonus system for executives and employees in Canada.

### **5.3. Annual assessment of the Board of Directors, the Executive Chairman and the Committees of the Board**

The Nomination and Remuneration Committee is responsible for organising the annual assessment of the Board of Directors, its Chairman and its Committees. The Committee defines and coordinates the process, which is carried out through the Secretary.

In 2018, in accordance with the relevant good governance recommendations, the Nomination and Remuneration Committee received assistance from an external consultant to make the assessment. The Committee plans to continue in 2019 (assessment of 2018) with the assessment framework defined with the aid of the consultant for the 2017 assessment.

That framework is essentially based on the answers given by all the directors to a questionnaire containing questions giving an insight into the individual perception by each director of all the most important aspects of the procedures and performance of the Board, the Executive Chairman, the Committees of the Board and the Lead Independent Director.

With regard to the Committees, the questionnaire contains questions seeking both an “internal” assessment of the Committee in question (i.e. the opinion of the members of that Committee) and “external” assessment (i.e. assessment of the performance of Committees by directors who are not members).

In the light of the answers to the questionnaires, the Nomination and Remuneration Committee decides whether or not to conduct individual interviews with all or some of the directors. That decision is not based on the answers given to the questionnaire, but on the possibility of obtaining a better knowledge of the opinions of all or some of the directors on one or several specific aspects. In any case, a personal interview is generally held with the Lead Independent Director.

The Committee considered several bids when contracting the expert. The choice was made taking account of any possible situation that could jeopardise the consultant’s independence.

The results of the assessment revealed a high level of satisfaction among directors with the way the Board and its Committees worked and the performance of their duties by the Executive Chairman and the Lead Independent Director. This notwithstanding, the assessment detected certain areas in which, although the directors were very satisfied on the whole, there was some room for improvement. Accordingly, once the Nomination and Remuneration Committee had studied the results of the assessment, the Committee informed the Board on those results and, where appropriate, submitted a proposal for measures that could be taken to improve any specific aspects.

The assessment process ended with an acknowledgement by the Board of the assessment report (together with the activity reports of the Committees) and adoption by the Board of any measures it considered appropriate in the light of that report.

In the assessment of 2017, made in 2018, the Board adopted certain measures designed to improve the aspects indicated by the external consultant, in line with the proposals the

latter had submitted. Those measures were mostly concerned with aspects to improve the quality of debates within the Board and its Committees.

The assessment of 2017 was discussed by the Nomination and Remuneration Committee at several meetings, since it was extended as a result of the participation by the external consultant.

#### **5.4. Review of public information on remunerations**

Any public information on remunerations is reviewed by the Nomination and Remuneration Committee, which submits whatever proposals it considers appropriate to the Board of Directors.

Each year, the Committee reviews and reports to the Board, with whatever comments it may deem fit, on the following information:

- The contents of the Annual Report on Directors' Remuneration for the previous year;
- The information on remuneration contained in the Annual Corporate Governance Report.

#### **5.5. Other actions**

During 2018, in addition to the actions mentioned above (recurring), the Nomination and Remuneration Committee:

- Assessed and presented to the Board the Policy on Directors' Remuneration 2019-2021, issuing the corresponding specific report;
- Assessed and informed the Board in advance on the payments to be made to directors of their fixed remuneration for their duties as such corresponding to both 2017 (paid in full in 2018) and 2018 (partly paid, as an advance payment, during 2018);
- Assessed and resolved to submit a proposal to the Board for approval of an employee Share Delivery Plan, within which all the Group employees having their tax residence in Spain may, if they so wish, receive part of their remuneration in company shares (up to a limit of 12,000 euros per employee), with special tax treatment.

### **6. Assessment and performance**

The Nomination and Remuneration Committee does not assess its own performance during the year, although as mentioned earlier the annual assessment of the Board of Directors, its Committees and the Executive Chairman includes aspects exclusively corresponding to the Nomination and Remuneration Committee. Those aspects are intended to assess both the internal procedures of the Committee (with questions aimed exclusively at its members) and its relations with and counselling of the Board of Directors in matters falling within its remit (with questions aimed at all Directors

regarding their perception of the composition, powers, duties, procedures and reporting to the Board by the Nomination and Remuneration Committee).

In this regard, in the assessment made in 2018 (in respect of 2017), the assessment of both internal aspects of the Committee and the perception by other directors of its work were satisfactory.

**7. Verification of the degree of compliance with the Policy for Selecting Directors**

As mentioned earlier, before analysing any proposals and/or reports regarding the appointment of directors and/or members of the Board Committees, the Nomination and Remuneration Committee checks, together with other aspects, that the candidate is adequate in accordance with the principles established in the Policy for Selecting Directors and Diversity in the Composition of the Board of Directors.

Accordingly and to the extent that the decisions adopted by the Board based on proposals submitted by the Committee have always been favourable, the Nomination and Remuneration Committee considers that the company has complied with that Policy in 2018.

**8. Responsibility for the information contained in the Annual Activity Report of the Nomination and Remuneration Committee**

The Nomination and Remuneration Committee is responsible for the contents of this Report, approved by the Committee on 27 March 2019. This report will be made available to the company's shareholders and investors within the General Meeting section on the corporate website [www.ebrofoods.es](http://www.ebrofoods.es) coinciding with publication of the notice of call to the forthcoming Annual General Meeting.

Issued in Madrid on 27 March 2019.

---

Fernando Castelló Clemente  
Chairman

---

Luis Peña Pazos  
Secretary

**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.**