

ANNUAL ACTIVITY REPORT OF THE NOMINATION AND REMUNERATION COMMITTEE OF EBRO FOODS, S.A. FOR THE YEAR ENDED 31 DECEMBER 2019

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 quincecies 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 2019 up to the date of this report was as follows, with no changes during the year:

- Fernando Castelló Clemente – Chair (independent director)
- Demetrio Carceller – Member (proprietary director)
- Grupo Tradifín, S.L. (Blanca Hernández Rodríguez) - Member (proprietary director)
- Mercedes Costa García – Member (lead independent director)
- Belén Barreiro Pérez-Parto - Member (independent director)

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 derive from their extensive business experience in medium and large cap enterprises. 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. 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%).

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.

Finally, the lead independent director is a member of the Nomination and Remuneration Committee.

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 2019

The Nomination and Remuneration Committee held seven (7) meetings in 2019, all attended by the Committee Chairman.

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

- Meeting of 13 February 2019:

- 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 2018 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 2019 (to be submitted for approval at the Annual General Meeting 2020); (iii) the fixed remuneration of Group directors and executives for 2019; and (iv) the quantitative and qualitative 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 2020.

- It further resolved to recommend the board to pay the Directors the second instalment of the share in profits corresponding to 2018.

- **Meeting of 27 March 2019:**

- The Committee studied and agreed to recommend the Board, with a favourable report, to approve the Report on Directors' Remuneration for 2018, 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 2018 on remuneration and categories of directors.
- The Committee decided to commence the assessment process of the Board, its Chairman and Committees corresponding to 2018, approving the questionnaire on which it would be based. Since the assessment of the previous year (2017) had been made with assistance from an external consultant and considering that the good governance recommendation on this matter advises external assistance every three years, the Committee decided to use internal resources for the assessment.
- The Nomination and Remuneration Committee Activity Report 2018 was prepared, to be submitted to the Board of Directors.

- **Meeting of 30 April 2019:**

- The report to be submitted to the General Meeting regarding the proposed ratification of the appointment of the independent director Pedro Antonio Zorrero Camas, who had been appointed director by the Board in October 2018, was issued and approved.
- The Committee reviewed a new Incentive Plan for the Executive Chairman and senior management of the different business units of the Group, tied to the Strategic Plan 2019-2021, and resolved to submit a favourable report to the Board for its approval. That Incentive Plan is substantially identical to those implemented in the Group in earlier years.
- The Committee assessed and issued a favourable report on the proposed alteration of Article 22 of the Articles of Association regarding directors' remuneration, which the Board planned to submit for approval at the Annual General Meeting.
- As a consequence of the previous resolution, the Committee also issued a favourable report to the Board on the Amendment of Article 41 of the Regulations of the Board on directors' remuneration, in order to adjust it to the new text of the Articles of Association on the matter.
- Also following on from the previous resolutions, the Committee studied the need to amend the Directors' Remuneration Policy 2019-2021 then in force to adjust it to the modification of the remuneration of directors for their duties

as such deriving from the alteration of Article 22 of the Articles of Association. The Committee considered that modification necessary, issued the corresponding report and submitted the appropriate proposal to the Board.

- The Committee noted the change of representative of the director Alimentos y Aceites, S.A. on the Board of Directors of the company and assessed the fitness of the new representative designated by that director (Macarena Charlo Prieto), concluding with a favourable assessment. That assessment was submitted to the Board for the latter to decide whether the new representative was to be accepted.
 - Finally, after a brief report by the Secretary on the contents of the Technical Guide on Nomination Committees issued by the National Securities Market Commission, the Committee resolved to engage an independent expert on the matter to review the extent to which the Company's Nomination and Remuneration Committee complied with the provisions of that Guide.
- **Meeting of 4 June 2019:**
- Assuming that the 2018 remuneration of directors for their duties as such would be approved at the Annual General Meeting, the Committee submitted a favourable report to the Board on the final pay-out of that remuneration. It also submitted a favourable report on the first advance payment to be made against the statutory remuneration of the directors for their duties as such corresponding to 2019, payable in July 2019.
- **Meeting of 26 June 2019:**
- In view of the replies to the assessment questionnaires received from all the directors and with the particular involvement of the lead independent director (who is a member of the Nomination and Remuneration Committee), the assessment report for 2018 was approved. That report was submitted to the Board together with the activity report of the Committee for conclusion of the assessment process.
- The Committee included in that assessment report the recommendations and comments it considered appropriate for the Board, based on the questionnaires returned by the directors within the assessment process.
- The Committee followed up on the review of conformity of its procedures with the provisions of the Technical Guide of the National Securities Market Commission. In particular, it was informed of the contacts that had taken place between the external expert and the Chair and certain members of the Committee.
- **Meeting of 25 September 2019:**
- It was resolved to propose to the Board, with a favourable report, approval of the employee Share Delivery Plan 2019, which is identical to the one in place in previous years. The Plan allows employees of the Ebro Group who have their tax residence in Spain, if they so wish, to receive part of their

remuneration (up to a limit of 12,000 euros) in shares of Ebro Foods, S.A. This remuneration benefits from special tax treatment, provided they hold on to those shares for at least three years, among other requirements.

- The report issued by the external expert on the extent of compliance by the Nomination and Remuneration Committee with the provisions of the Technical Guide of the National Security Market Commission was analysed. After discussing the conclusions and recommendations set out in that report, the Committee adopted the resolutions it considered necessary to adjust to the contents of that Guide in the appropriate aspects.

- **Meeting of 31 October 2019:**

- The Committee noted the change of representative of the director Alimentos y Aceites, S.A. on the Board of Directors of the company and assessed the fitness of the new representative designated by that director (María Jesús Garrido Solís), concluding with a favourable assessment. That assessment was submitted to the Board for the latter to decide whether the new representative was to be accepted.

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 2019, the Nomination and Remuneration Committee assessed, made proposals and/or issued favourable reports on both the ratification, re-election and appointment of one independent director (Pedro Antonio Zorrero Camas) and two representatives of a corporate director (Macarena Charlo Prieto and María Jesús Garrido Solís, both representing the director Alimentos y Aceites, S.A.)

Prior to the assessment of these matters and the drafting of proposals and/or issuance of favourable reports, the Committee analyses the composition of the Board in order to assess the candidate from the point of view of the potential needs of the Board and determine whether the candidate will contribute value and diversity to that body. Within its assessment of the candidates, the Committee also makes sure that any proposal submitted conforms to the principles set out in the Policy for the Selection of Directors and Diversity in the Composition of the Board approved by the Board of Directors.

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 statutory 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 13 February 2019.

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.

The Nomination and Remuneration Committee did not receive any assistance from an external consultant to make the assessment in 2019. However, in the assessment of 2018, made in 2019, the Committee used the same framework defined with the aid of the consultant for the 2017 assessment (made in 2018).

That framework is essentially based on the answers given by all the directors to a questionnaire 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. The Committee took the questionnaire used in the 2017 assessment (prepared by the external consultant) and included some additional questions to find out the directors' opinion on the measures taken in respect of the procedures of the Board and its Committees following the 2017 assessment (made in 2018) and its adjustment to improve the aspects that led to those measures.

The results of the assessment made in 2019 showed 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.

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 assessment, taking into account any recommendations made by the Nomination and Remuneration Committee.

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 on the previous year.

5.5. Other actions

During 2019, in addition to the actions mentioned above (recurring), the Nomination and Remuneration Committee:

- Assessed and reported to the Board on the alteration of Article 22 of the Articles of Association and Article 41 of the Regulations of the Board, both concerning directors' remuneration. The proposed amendment entailed a change in the remuneration of directors for their duties as such and was approved at the Annual General Meeting;
- Submitted to the Board the proposed amendment to the Policy on Directors' Remuneration 2019-2021, to bring it in line with the alteration of the Articles of Association on the remuneration of directors for their duties as such;
- 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 2018 (paid in full in 2019) and 2019 (partly paid, as an advance payment, during 2019);
- Assessed and resolved to submit a proposal to the Board for approval of an employee Share Delivery Plan 2019.

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 2019 (in respect of 2018), the assessment of both internal aspects of the Committee and the perception by other directors of its work were satisfactory.

Furthermore, in 2019 the Committee engaged an expert to determine the extent to which its procedure complied with the Technical Guide on Nomination and Remuneration Committees issued by the CNMV. Although the expert's report on that assessment did

not mention any significant aspects, it did identify certain possible actions for improvement, which the Committee studied and took the measures it considered appropriate.

7. Verification of the degree of compliance with the Policy for the Selection of Directors

As mentioned earlier, before analysing any proposals and/or reports regarding the appointment of directors (or representatives 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 the Selection of Directors and Diversity in the Composition of the Board.

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 2019.

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 25 March 2020. 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 coinciding with publication of the notice of call to the forthcoming Annual General Meeting.

Issued in Madrid, on 25 March 2020.

Fernando Castelló Clemente
Chair

Luis Peña Pazos
Secretary

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