

## REPORT BY THE BOARD OF DIRECTORS OF EBRO FOODS, S.A. REGARDING THE PROPOSAL FOR APPOINTMENT OF JAVIER FERNÁNDEZ ALONSO AS DIRECTOR

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### 1. Introduction

The proprietary director Corporación Financiera Alba, S.A., as core shareholder of Ebro Foods, S.A. (the “**Company**” or “**Ebro**”), has informed the Company of its desire to propose the appointment of a second Director, in order to have two proprietary directors on the Ebro Board of Directors, considering this number proportional to the interest it holds in the Company’s capital.

In this regard, Corporación Financiera Alba, S.A. has expressed its interest to the Company of that new proprietary director being Javier Fernández Alonso, who currently represents it on the Ebro Board of Directors. Corporación Financiera Alba, S.A. has also informed the Company that in order to enable the shareholders to decide, at the Annual General Meeting scheduled for 29 July 2020 on first call and for the following day, 30 July 2020, on second call, on Javier Fernández Alonso’s appointment as director, he will step down as representative of Corporación Financiera Alba, S.A. as of 29 July 2020 (currently considered the most likely date of the Annual General Meeting), immediately prior to commencement of the meeting.

Accordingly, the Board of Directors of Ebro plans to table a motion at the Annual General Meeting proposing the appointment of Javier Fernández Alonso as director for the statutory term of four years, on the terms set out in **Annex 1**. Javier Fernández Alonso will be classified as a Proprietary Director.

The motion to be tabled at the AGM for the appointment of Javier Fernández Alonso as director for the statutory term of four years has been previously assessed and a favourable report has been issued by the Nomination and Remuneration Committee pursuant to section 529.decies, paragraph 6 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 on the Selection of Directors and Diversity, 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 2020. They will also be incorporated in the minutes of the corresponding board and general meetings.

## **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, Javier Fernández Alonso would be a proprietary director as he would be nominated by the significant shareholder Corporación Financiera Alba, S.A.

### **2.2. 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 and 6, that: (i) the Board is competent to propose the appointment of non-independent directors (paragraph 4); and (ii) that proposal must necessarily be accompanied by a supporting report by the Board assessing the competence, experience and merits of the candidate, which must 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).

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.

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.

## **3. Justification of the motion**

The Board considers the appointment of Javier Fernández Alonso as director appropriate by virtue of his nomination by the significant shareholder of the company, Corporación Financiera Alba, S.A., and the assessment made in this report.

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

The Board considers that Javier Fernández Alonso has the necessary competence, experience and merits to be appointed director, in view of the following qualities:

- He has extensive knowledge of the Ebro Foods Group as he has been a member of the Board of Directors since 25 January 2017 (first as proprietary director and subsequently, up to the present, as the representative of the proprietary director Corporación Financiera Alba, S.A.), during which time he has also been a member of the Executive Committee, the Audit and Compliance Committee and the Strategy and Investment Committee.
- He has experience as director of commercial enterprises, holding or having held office as such, and as a member of different committees, in both Ebro and 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 on the Selection of Directors and Diversity.

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.

Finally, the Board of Directors has also considered that if Javier Fernández Alonso is appointed director, he will subsequently be appointed member of the Executive Committee, the Strategy and Investment Committee and the Audit and Compliance Committee, once the director Corporación Financiera Alba, S.A. has stepped down from those positions. With this appointment, Javier Fernández Alonso would continue to hold, now in a personal capacity, the positions that he had held up to the time he stepped down as representative of the director Corporación Financiera Alba, S.A. The Board of Directors considers that with this appointment, an adequate diversity of knowledge and professional profiles would be maintained within those Committees.

#### **5. Conclusion**

In view of the foregoing, the Board considers that:

- 5.1. The proposal made by the core shareholder Corporación Financiera Alba, S.A. to have two proprietary directors on the Ebro Board corresponds proportionally to its stake in the Company's capital.
- 5.2. It is appropriate to table a motion at the AGM for the proposal by Corporación Financiera Alba, S.A. to appoint Javier Fernández Alonso director for the statutory term of four years.

- 5.3. Javier Fernández Alonso will have the category of proprietary director.
- 5.4. 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 on the Board of Directors of Ebro Foods, S.A. He also has a thorough knowledge of the Ebro Group, acquired over the time he has been on the Board and different Committees of the Company in his capacity as representative of the director Corporación Financiera Alba, S.A.
- 5.5. Said proposal complies with the requirements established by the Corporate Enterprises Act, the Articles of Association and the Regulations of the Board, and most of the principles established in the company's Policy on the Selection of Directors and Diversity.
- 5.6. In the board's opinion, with the appointment of Javier Fernández Alonso 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.

The above notwithstanding, the Board of Directors considers it necessary from now on to work towards restoring the proportion of independent directors and increasing the presence of female directors on the Board, as indicated by the Nomination and Remuneration Committee.

Since his appointment is proposed by the core shareholder Corporación Financiera Alba, S.A., Mr Fernández Alonso would be a proprietary director.

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Madrid, 17 June 2020.

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

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| <p><b>The English version of this document and annexes is purely informative.<br/>In the event of any discrepancy between the Spanish and English versions of<br/>documents, the Spanish version will prevail.</b></p> |
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**Annex 1**

**Proposed resolution submitted to the General Meeting**

*“Appointment of Javier Fernández Alonso as director.*

To appoint Javier Fernández Alonso director of the company for the statutory term of four years. Javier Fernández Alonso is classified as a proprietary director.”

## Annex 2

### **REPORT BY THE NOMINATION AND REMUNERATION COMMITTEE OF EBRO FOODS, S.A. ON THE APPOINTMENT OF JAVIER FERNÁNDEZ ALONSO AS DIRECTOR**

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#### **1. Introduction**

The proprietary director Corporación Financiera Alba, S.A., as core shareholder of Ebro Foods, S.A. (the “**Company**” or “**Ebro**”), has informed the Company of its desire to propose the appointment of a second Director, in order to have two proprietary directors on the Ebro Board of Directors, in consideration of its interest in the Company’s capital.

In this regard, Corporación Financiera Alba, S.A. has expressed its interest to the Company of that new proprietary director being the same person who currently represents it on the Ebro Board of Directors, Javier Fernández Alonso, who will step down as such immediately prior to commencement of the AGM at which the proposal for his appointment as director is to be tabled.

The Board of Directors of Ebro plans to table a motion at the Annual General Meeting, scheduled for 29 July 2020 on first call and for 30 July 2020 on second call, proposing the appointment of Javier Fernández Alonso as director for the statutory term of four years. For this purpose, pursuant to the Corporate Enterprises Act section 529 decies, in addition to the corresponding report by the Board assessing the competence, experience and merits of the proposed candidate (paragraph 5), that proposal must be preceded by a report by the Nomination and Remuneration Committee (paragraph 6).

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.

In compliance with the aforesaid legal and regulatory provisions, the Nomination and Remuneration Committee issues this Report on the proposal to the General Meeting to appoint Javier Fernández Alonso as director for the statutory term of four years.

#### **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 issue of this report, the Board of Directors is made up of thirteen (13) members, two of whom are classified as executive directors, seven as proprietary directors and four as independent directors, and there are five female directors.

With this composition of the Board, women account for 38.46% of the total Board members, which is above the target set in the Policy on the Selection of Directors and Diversity for the composition of the Board, indicating that by 2020 the gender least represented on the board should account for at least 30% of the total board members, which proportion was met in January 2017 and increased in June 2017. The number of

independent directors (4) is rather less than one-third (4.33) of the total directors (13) recommended for companies like Ebro Foods, S.A. that are not high cap.

Following the incorporation of Javier Fernández Alonso as a proprietary director, the Board has fourteen (14) members. The numbers of board members classified as executive (2) and independent (4) directors are maintained and the number of priority directors is raised from 7 to 8, maintaining five female<sup>1</sup> directors on the board.

The Nomination and Remuneration Committee analyses below the following aspects of the new composition of the Board:

- (i) The Committee has assessed the degree of compliance with Recommendation 16 of the Good Corporate Governance Code, which provides that: *“the percentage of proprietary directors in the total non-executive directors should not be greater than the ratio of capital represented by those directors to the rest of the capital. This principle may be eased: .../... b) In companies that have a large number of unrelated shareholders represented on the board.”*

The board members classified as proprietary directors (8) represent 66.67% of the total non-executive directors (12) and 57.030% of the share capital.

However, the Nomination and Remuneration Committee considers that in this case there are special circumstances that would permit a smaller proportion than recommended, since there are seven unrelated significant shareholders present or represented on the board that represent 65.016% of the share capital. It should also be borne in mind that although the director Herculanz Investing Group, S.L. is a core shareholder, it is classified as an executive director by virtue of the fact that its representative on the Ebro board is an executive of a subsidiary in the Ebro Group.

- (ii) The Committee has further assessed the degree of compliance with Recommendation 17 of the Good Corporate Governance Code, providing that in companies that are not high cap (such as Ebro), independent directors should represent at least one-third of the total number of directors.

Seeing that the number of independent directors (4) is rather less than one-third (4.66) of the total directors (14) recommended for companies that are not high cap, the Nomination and Remuneration Committee considers it necessary from now on to continue striving to increase the number of independent directors until the recommended one-third is reached.

- (iii) Finally, it considers that although the percentage of women on the board (five) is reduced from 38.46% to 35.71%, it is still higher than the targeted 30% set in the Policy on the Selection of Directors and Diversity in the Composition of the Board. However, the Nomination and Remuneration Committee considers it convenient to increase the presence of women, as the least represented gender, on the Board.

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<sup>1</sup> The Director Corporación Financiera Alba, S.A. has informed that will appoint a male representative, in place of Mr. Javier Fernández Alonso.

The Nomination and Remuneration Committee has also assessed the professional profile of Javier Fernández Alonso and considers that his expertise, skills, professional experience, availability and suitability are adequate to perform his duties. It further considers the knowledge of the Ebro Group that Mr Fernández Alonso has built up since he joined the Board in January 2017 an especially valuable asset.

In view of the different professional profiles of the directors (all specialising in very different, though complementary, sectors, such as economics, finance, law, industry, consumer and distribution markets, beverages, rice and pasta) and considering the thorough knowledge that some of them have of the Group overall, the Nomination and Remuneration Committee considers that the composition of the Board of Directors has an adequate diversity of expertise and professional experience for the interests of the Company and its Group. This will be strengthened further with the incorporation of Javier Fernández Alonso.

The Nomination and Remuneration Committee considers that this composition of the Board reflects the stakes held by significant shareholders in the capital and gives it an adequate level of stability and balance and, accordingly, it has decided to issue a favourable report to the Board on the appointment of Javier Fernández Alonso as director for the statutory term of four years, to be proposed at the forthcoming AGM scheduled for 29 July 2020 on first call and 30 July 2020 on second call.

Mr Fernández Alonso would be classified as a proprietary director as he was proposed by the core shareholder Corporación Financiera Alba, S.A.

### **3. Analysis of the motion tabled by the Board at the Annual General Meeting for the appointment of Javier Fernández Alonso as director**

At the date of issue of this report, Javier Fernández Alonso is the representative on the board of the priority director and core shareholder Corporación Financiera Alba, S.A. However, the aforesaid director (Corporación Financiera Alba, S.A.) has notified the Company of its decision to change its representative on the Ebro Board with effect as from the beginning of the AGM scheduled for 29 July 2020 on first call (and on the following day on second call, if necessary). Therefore, at the time of submitting his appointment as director for approval by the general meeting, Javier Fernández Alonso will no longer be the representative of Corporación Financiera Alba, S.A. on the Company's Board of Directors.

The Nomination and Remuneration Committee has taken the following into consideration to issue its favourable report:

- the fact that Javier Fernández Alonso has been on the Board of Directors since 25 January 2017, first as proprietary director and subsequently as representative of the director (and significant shareholder) Corporación Financiera Alba, S.A.;
- the proportion of proprietary directors and their share of the capital, the number of independent directors and the number of female directors on the board;



- the fact that the nomination of Javier Fernández Alonso complies with the principles of the Policy on the Selection of Directors and Diversity in the Composition of the Board; and
- the classification of Javier Fernández Alonso as proprietary director by virtue of the status of Corporación Financiera Alba, S.A. as significant shareholder.

The Nomination and Remuneration Committee values Javier Fernández Alonso's academic background and professional experience as in Business Management and Administration and his specific training in Finance, his recognised experience as director and member of different committees in several listed companies and his knowledge of the Ebro Foods Group acquired through being on the Board since January 2017.

The Nomination and Remuneration Committee has also assessed and resolved to submit a favourable report to the Board of Directors, if it is resolved at the General Meeting to appoint Javier Fernández Alonso as director and if he accepts his appointment, for his appointment as member of the Executive Committee, the Audit and Compliance Committee and the Strategy and Investment Committee, substituting Corporación Financiera Alba, S.A. This will enable Javier Fernández Alonso to continue performing his duties on those committees, although now in a personal capacity, rather than as the representative of Corporación Financiera Alba, S.A. This favourable assessment by the Nomination and Remuneration Committee is justified essentially because it:

- (i) enables the different Committees to continue benefiting from the experience and professionalism of Javier Fernández Alonso;
- (ii) enables the composition of the Executive Committee to continue reflecting the respective participation on the Board of the different types of director;
- (iii) maintains an adequate level of specialisation by the members of the Audit and Compliance Committee; and
- (iv) favours the diversity of knowledge and expertise in the Committees.

#### **4. Conclusions**

Following the analysis and assessment made, the Nomination and Remuneration Committee unanimously resolved on 17 June 2020 to submit a favourable report to the Board on the motion to be tabled at the AGM for the appointment of Javier Fernández Alonso as director for the statutory term of four years. Javier Fernández Alonso is classified as a proprietary director.

The Nomination and Remuneration Committee also considers that from now on the Company should work towards restoring the proportion of independent directors and increasing the presence of female directors on the Board.

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Madrid, 17 June 2020.

**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, S.A., Rioja Acquisition, S.à.r.L., Artá Capital S.G.E.I.C., S.A. and Deyá Capital IV S.C.R., S.A. and on the Investment Committee of Artá Capital, among other responsibilities.

He has been on the boards of several companies including, among others, Acerinox, S.A., Actividades de Construcción y Servicios, S.A. and Parques Reunidos Servicios Centrales, S.A.

He speaks English.

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