

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

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### 1. Introduction

The proprietary directors currently on the Board of Directors were appointed or re-elected for the statutory period of 4 years by resolutions adopted at the different Annual General Meetings held from 2017 to the present. Consequently, there is almost a full term of office between the end of the first term that expires in the future (in 2021) and the last (in 2024).

At the proposal of the Nomination and Remuneration Committee and with a view to securing greater stability in the composition of the Board insofar as proprietary directors are concerned, the Board of Directors considers it convenient to unify the dates of expiry of proprietary directors' terms of office, since its current composition, as far as proprietary directors is concerned, is considered optimum with regard to the needs of the Board and the Company. Nevertheless, that proposal is made without prejudice to Article 31.2(b) of the Regulations of the Board, which provides that directors shall step down and tender their resignation when the shareholder they represent sells all its shares or reduces its interest to a level requiring a reduction in the number of proprietary directors.

Javier Fernández Alonso was appointed director of Ebro Foods, S.A. ("**Ebro**" or the "**Company**"), for the statutory term of four years, by virtue of a resolution adopted at the general meeting held on 29 July 2020. Javier Fernández Alonso is classified as a proprietary director on the grounds that he was nominated by the significant shareholder Corporación Financiera Alba, S.A.

Pursuant to section 222 of the Corporate Enterprises Act, when the term of office expires, the appointment will end as of the date of the annual general meeting or at the end of the time limit for holding the general meeting at which the shareholders are to resolve on approval of the previous year's accounts. Therefore, his appointment would expire in 2024.

At the proposal of the Nomination and Remuneration Committee, the Board of Directors plans to table a motion at the Extraordinary General Meeting scheduled for 16 December 2020 on first call and 17 December 2020 on second call, proposing the re-election of Javier Fernández Alonso for the statutory term of 4 years, on the terms set forth in **Annex 1**.

The motion to be tabled at the general meeting for the re-election of the director Javier Fernández Alonso 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, which contains an analysis of the expertise required by the Board and its composition and present needs as per the Good Governance Code and 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 Extraordinary 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 since he was nominated by the significant shareholder Corporación Financiera Alba, S.A.

### **2.2. Re-election of a director by the General Meeting**

Pursuant to Article 20 of the Articles of Association, directors are appointed for a term of four years, at the end of which they are eligible for re-election on one or several occasions for terms of an equal duration. The re-election of directors is also contemplated in section 221.2, second paragraph of the Corporate Enterprises Act and in Article 30.1 of the company's Regulations of the Board.

Section 529 decies 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.

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

The Board considers the re-election of the director Javier Fernández Alonso 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 continue as director of Ebro, 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 (up to July 2020 as the representative of the 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 expertise within this body.
- His continuity on the Board is in keeping with most of the principles of the company's Policy on the Selection of Directors and Diversity.

In accordance with (i) the company's Policy on the Selection of Directors and Diversity in the Composition of the Board, (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 remains sufficiently available to be able to correctly perform his duties.

Finally, following a favourable report by the Nomination and Remuneration Committee, the Board of Directors considers that Javier Fernández Alonso has the necessary competence, experience and merits to continue as a member of the Executive Committee, the Audit and Compliance Committee and the Strategy and Investment Committee. Mr Fernández Alonso is particularly valued for his expertise and experience in the matters falling within the competence of the Audit and Compliance Committee.

## **5. Conclusion**

In view of the foregoing, the Board considers that:

- 5.1. The requirements established in law, the articles of association and regulations are met for re-election of the director Javier Fernández Alonso for the statutory term of four years.
- 5.2. Javier Fernández Alonso has the qualifications, training and professional experience 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, in view of which it is considered appropriate to table a motion at the general meeting for his re-election for the statutory term of four years. Javier Fernández Alonso is classified as a proprietary director.
- 5.3. The proposal complies with the requirements established by the Corporate Enterprises Act, the Articles of Association and the Regulations of the Board, and

the principles established in the company's Policy on the Selection of Directors and Diversity in the Composition of the Board.

- 5.4. The motion to re-elect Javier Fernández Alonso is in keeping with the composition and present needs of the Board of Directors, previously analysed by the Nomination and Remuneration Committee.
- 5.5. In the board's opinion, with the re-election of the director Javier Fernández Alonso, 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. It is convenient for Javier Fernández Alonso to remain on the Board in order to maintain optimum stability and balance in the composition of that body.
- 5.7. Javier Fernández Alonso is sufficiently available to be able to correctly perform his duties as director.

In short, the Board considers Javier Fernández Alonso a suitable candidate to be company director and, as such, he would be classified as a proprietary director. He is also considered a suitable candidate to continue performing his duties as member of the Executive Committee, the Audit and Compliance Committee and the Strategy and Investment Committee.

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Madrid, 26 November 2020

Annexes:

Annex 1. Proposed resolution submitted to the Extraordinary General Meeting

Annex 2. Report by the Nomination and Remuneration Committee

Annex 3. Professional profile of Javier Fernández Alonso

**Annex 1**

**Proposed resolution submitted to the General Meeting**

*“Re-election of the director Javier Fernández Alonso*

To re-elect the director Javier Fernández Alonso 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 RE-ELECTION OF THE DIRECTOR JAVIER FERNÁNDEZ ALONSO**

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#### **1. Introduction**

The proprietary directors currently on the Board of Directors were appointed or re-elected for the statutory period of 4 years by resolutions adopted at the different Annual General Meetings held from 2017 to the present. Consequently, there is almost a full term of office between the end of the first term that expires in the future (in 2021) and the last (in 2024).

In the opinion of the Nomination and Remuneration Committee, making the expiry dates of proprietary directors' terms of office coincide is an adequate measure to improve stability in the composition of the Board, since its current composition, as far as proprietary directors is concerned, is considered optimum with regard to the needs of the Board and the Company. For this reason, it has assessed and submitted a favourable report to the Board on the convenience of re-electing all of the directors. This report is to be presented at the forthcoming Extraordinary General Meeting of Shareholders, scheduled for 16 December 2020 on first call and 17 December 2020 on second call.

The Nomination and Remuneration Committee submits that proposal without prejudice to Article 31.2(b) of the Regulations of the Board, which provides that directors shall step down and tender their resignation when the shareholder they represent sells all its shares or reduces its interest to a level requiring a reduction in the number of proprietary directors.

Section 221.2, second paragraph, of the Corporate Enterprises Act, Article 20 of the Articles of Association and Article 30.1 of the Regulations of the Board contemplate the possibility of re-electing directors to office on one or several occasions for periods equal to the statutory term.

Accordingly, the Board plans to table a motion at the forthcoming Extraordinary General Meeting of Shareholders for re-election of the proprietary director Javier Fernández Alonso for the statutory term of four years.

Javier Fernández Alonso was elected director of Ebro Foods, S.A. (“**Ebro**” or the “**Company**”) for the statutory term of four years by virtue of a resolution adopted at the General Meeting held on 29 July 2020. Javier Fernández Alonso is classified as a proprietary director.

For this purpose and pursuant to section 529 decies of the Corporate Enterprises Act, that motion must be accompanied by a report by the Board on the competence, experience and merits of the proposed candidate (paragraph 5) and preceded by a report issued by the Nomination and Remuneration Committee (paragraph 6).

Similarly, Article 25.4(a) of the Regulations of the Board of Directors of Ebro 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 re-elect the director Javier Fernández Alonso for the statutory term of four years.

## **2. Prior analysis of the expertise and competence required by the Board, in view of its composition and present needs**

In accordance with the Good Governance Code of listed companies, approved by a resolution adopted by the Board of the National Securities Market Commission on 25 June 2020 (“**Good Governance Code**”), and the Policy on the Selection of Directors and Diversity in the Composition of the Board, the Nomination and Remuneration Committee analyses the skills and competence required by the Board, and its composition and present needs.

Following the resolutions passed at the last General Meeting of Shareholders, held on 29 July 2020, at the date of this report the Board has fourteen (14) members, whose competence provide adequate diversity of expertise, experience and gender in the composition of the Board. These aspects were assessed by this Committee when each and all of the company’s current directors were appointed and no circumstances are detected at present that would lead to a change in the assessments made on those occasions or in the present needs of the Board.

As regards the composition of the Board from the point of view of the types of director and the presence of women, it is noted that of the fourteen (14) directors on the board at present, two (2) are classified as executive directors, eight (8) as proprietary directors and four (4) as independent directors, and there are five (5) female directors.

With regard to these details, the Nomination and Remuneration Committee assesses:

- (i) The degree of compliance with Recommendation 16 of the Good 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.”*

The board members classified as proprietary directors (8) represent 66.67% of the total non-executive directors (12) and 57.04% of the share capital. However, the Nomination and Remuneration Committee considers that there are special circumstances that would permit a smaller proportion than recommended by the Good Governance Code, since there are seven (7) unrelated significant shareholders present or represented on the board that represent 65.02% of the share capital. In this regard, it should 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.

Considering the above, the Nomination and Remuneration Committee considers that the principle on which Recommendation 16 is based is respected.

- (ii) The degree of compliance with Recommendation 17 of the Good Governance Code, which provides 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 still 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 to continue striving to increase the number of independent directors until at least the recommended one-third is reached.

The above notwithstanding, this is not considered an obstacle for the proposed re-election of directors to be tabled at the general meeting for the purpose stated, since it does not affect the number of independent directors.

- (iii) Finally, the degree of compliance with Recommendation 15 of the Good Governance Code, which provides that: *“The number of female directors shall represent at least 40% of the board members before the end of 2022 and beyond, previously not falling below 30%.”*

Since the percentage of women on the board (five) is 35.71%, the Nomination and Remuneration Committee maintains its intention, with respect to future incorporations of new directors, to promote as far as possible, and in accordance with the Policy on the Selection of Directors and Diversity in the Composition of the Board, to increase the presence of women on the board with a view to achieving the recommended 40% representation by the end of 2022.

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

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

- a) The excellent work done by Javier Fernández Alonso to date as director and member of the Executive Committee, Audit and Compliance Committee and Strategy and Investment Committee (as representative of the corporate director Corporación Financiera Alba, S.A. up to July 2020). He has amply demonstrated his capacity and professional worth in the performance of his duties and his valuable contribution to the Board, thanks to his broad, thorough knowledge of business in general and the Ebro Group in particular.
- b) The fact that Javier Fernández Alonso is qualified with a degree in Business Management and Administration and specialisation in finance, his recognised experience as director and member of different committees in several listed companies, make him a valuable asset for the Board, favouring the diversity of expertise within it.
- c) The classification of Javier Fernández Alonso as a proprietary director on the grounds that he was nominated by Corporación Financiera Alba, S.A., a significant shareholder of Ebro.



- d) It is convenient to keep Javier Fernández Alonso on the Board in order to maintain optimum stability and balance in the composition of this body.
- e) The re-election of the director Javier Fernández Alonso meets all the necessary legal, statutory and regulatory requirements and conforms to the principles established in the company's Policy on the Selection of Directors and Diversity in the Composition of the Board.

Provided the Extraordinary General Meeting of Shareholders resolves to re-elect Javier Fernández Alonso as director and he accepts that re-election, the Nomination and Remuneration Committee has also assessed and resolved to issue a favourable report to the Board regarding his continuity as a member of the Executive Committee, the Audit and Compliance Committee and the Strategy and Investment Committee.

#### **4. Conclusions**

Following the analysis and assessment made, the Nomination and Remuneration Committee unanimously resolved on 26 November 2020 to submit a favourable report to the Board on the motion to be tabled at the Extraordinary General Meeting for re-election of the director Javier Fernández Alonso for the statutory term of four years. Javier Fernández Alonso is classified as a proprietary director.

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Madrid, 26 November 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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