

## REPORT BY THE BOARD OF DIRECTORS OF EBRO FOODS, S.A. REGARDING THE PROPOSAL FOR RE-ELECTION OF THE DIRECTOR HERCALIANZ INVESTING GROUP, S.L., REPRESENTED BY FÉLIX HERNÁNDEZ CALLEJAS

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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.

Hercalianz Investing Group, S.L. was re-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 annual general meeting on 1 June 2017.

Hercalianz Investing Group, S.L. is a significant shareholder of Ebro. Nevertheless, it is classified as an executive director by virtue of the fact that its representative on the board of directors of Ebro, Félix Hernández Callejas, is an executive in one of the subsidiaries of the Ebro Group and director in several of them. Hercalianz Investing Group, S.L. does not perform any executive duties in Ebro or in any subsidiary of the Ebro Group. Accordingly, although Hercalianz Investing Group, S.L. is classified as an executive director, for the purpose of this report the Board takes account of its status as a significant shareholder and, therefore, when proposing its re-election, the Board considers it a proprietary director.

If the director Hercalianz Investing Group, S.L. is re-elected, Félix Hernández Callejas would continue as such, pursuant to Article 143.2 of the Trade Registry Regulations.

Pursuant to section 222 of the Corporate Enterprises Act, when the term of office expires, the appointment of Hercalianz Investing Group, S.L. 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, its appointment would expire in 2021

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 Heralianz Investing Group, S.L. 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 Heralianz Investing Group, S.L. 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 Félix Hernández Calleja, the representative of Heralianz Investing Group, S.L. on the Board of Directors of Ebro, 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, Heralianz Investing Group, S.L. could be classified as a proprietary director since it is a significant shareholder of Ebro.

However, Heralianz Investing Group, S.L. is classified as an executive director by virtue of the fact that its representative, Félix Hernández Callejas, is an executive in one of the subsidiaries of the Ebro Group and director in several of them. Therefore, since Félix Hernández Callejas will be the representative of Heralianz Investing Group, S.L. on the Board, it is given the same classification as executive director.

This notwithstanding, for the purpose of this report and the proposed re-election of the director, the Board takes account of its status as significant shareholder.

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

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. 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 Regulations of the Board.

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.

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 Heralianz Investing Group, S.L., represented by Félix Hernández Callejas, appropriate in view of its status as significant shareholder of the company and the assessment made in this report.

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

Heralianz Investing Group, S.L. is a Spanish company with registered office at calle Lagasca 88, Madrid, with provisional tax number B-87700522, registered with the Madrid Trade Register, volume 35419, folio 130, page M-636685. Its objects include, among other activities, the operation of industrial and commercial businesses in the food sector, expressly contemplating the possibility of conducting that activity through shareholdings acquired in other companies with similar objects.

It would be represented in the performance of its duties as director of Ebro Foods, S.A. by Félix Hernández Callejas, i.e. the same person who has been representing Heralianz Investing Group, S.L. on the board of directors of Ebro.

The Board considers that Félix Hernández Callejas has the necessary competence, experience and merits to represent the director Heralianz Investing Group, S.L. on the board of directors of Ebro, in view of the following qualities:

- a) He has a broad, thorough knowledge of the Ebro Foods Group, having been on the Board since 2008, first as a director in his own right; since 2010, as representative of the corporate director Instituto Hispánico del Arroz, S.L.; and now as representative of the corporate director Heralianz Investing Group, S.L., on the Board and the Strategy and Investment Committee. He is also an executive of one subsidiary in the Ebro Group and director in several of them.
- b) His experience in the food industry, particular in rice, makes him a valuable asset for the Board, favouring the diversity of expertise within this body.
- c) His continuity on the Board is in keeping with the principles of the company's Policy on the Selection of Directors and Diversity in the Composition of the Board.

In accordance with (i) the company's Policy on the Selection of Directors and Diversity in the Composition of the Board and (ii) Article 32.2 of the Regulations of the Board, Félix Hernández Callejas 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 Félix Hernández Callejas has the necessary competence, experience and merits for the director Heralianz Investing Group, S.L. to continue as a member of the Strategy and Investment 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 Heralianz Investing Group, S.L. for the statutory term of four years.
- 5.2. The re-election of the director Heralianz Investing Group, S.L. 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.
- 5.3. That re-election is in keeping with the composition and present needs of the Board of Directors, previously analysed by the Nomination and Remuneration Committee.
- 5.4. Heralianz Investing Group, S.L. is a significant shareholder of the company.
- 5.5. In the board's opinion, with the re-election of the director Heralianz Investing Group, S.L., 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 Heralianz Investing Group, S.L. to remain on the Board in order to maintain optimum stability and balance in the composition of that body.
- 5.7. Félix Hernández Callejas has the necessary qualifications, training and professional experience required of directors taking account of the Board's needs.
- 5.8. Félix Hernández Callejas has declared that he is sufficiently available to be able to correctly perform his duties as director of Ebro Foods.

In short, the Board considers Heralianz Investing Group, S.L., represented by Félix Hernández Callejas, a suitable candidate to be company director. Although Heralianz Investing Group, S.L. is a significant shareholder of Ebro, it would be classified as an executive director on the grounds that its representative on the Board of Ebro, Félix Hernández Callejas, is an executive in one of the subsidiaries of the Ebro Group and

director in several of them. Heralianz Investing Group, S.L. is also considered a suitable candidate to continue as member of 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 Félix Hernández Callejas

**Annex 1**

**Proposed resolution submitted to the General Meeting**

*“Re-election of the director Heralianz Investing Group, S.L.*

To re-elect the director Heralianz Investing Group, S.L. for the statutory term of four years. Heralianz Investing Group, S.L. is classified as an executive director.”

## Annex 2

### **REPORT BY THE NOMINATION AND REMUNERATION COMMITTEE OF EBRO FOODS, S.A. ON THE RE-ELECTION OF THE DIRECTOR HERCALIANZ INVESTING GROUP, S.L., REPRESENTED BY FÉLIX HERNÁNDEZ CALLEJAS**

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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 director Hercalianz Investing Group, S.L. for the statutory term of four years.

Hercalianz Investing Group, S.L. was re-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 1 June 2017.

Hercalianz Investing Group, S.L. is a significant shareholder of Ebro. Nevertheless, it is classified as an executive director by virtue of the fact that its representative on the board of directors of Ebro, Félix Hernández Callejas, is an executive in one of the subsidiaries of the Ebro Group and director in several of them. Hercalianz Investing Group, S.L. does not perform any executive duties in Ebro or in any subsidiary of the Ebro Group. For this

reason, the Nomination and Remuneration Committee considers that when proposing the re-election of proprietary directors, Heralianz Investing Group, S.L. should be treated as a proprietary director, by virtue of its status as a significant shareholder of the company.

Félix Hernández Callejas has represented Heralianz Investing Group, S.L. on the board of directors of Ebro since 2017.

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 Heralianz Investing Group, S.L. 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 Heralianz Investing Group, S.L.**

Heralianz Investing Group, S.L. is a Spanish company with registered office at calle Lagasca 88, Madrid, with provisional tax number B-87700522, registered with the Madrid Trade Register, volume 35419, folio 130, page M-636685. Its objects include, among other activities, the operation of industrial and commercial businesses in the food sector, expressly contemplating the possibility of conducting that activity through shareholdings acquired in other companies with similar objects.

It would be represented in the performance of its duties as director of Ebro Foods, S.A. by Félix Hernández Callejas.

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

- a) Heralianz Investing Group, S.L. is a significant shareholder of the company.
- b) The classification of Heralianz Investing Group, S.L. as an executive director, in view of the fact that its representative on the Board of Ebro, Félix Hernández Callejas, is an executive and director of some of the subsidiaries of the Ebro Group.
- c) The fact that Heralianz Investing Group, S.L. has not performed and is not going to perform any executive or management duties in Ebro or any subsidiary of the Group, so it has not received any remuneration for such duties.
- d) The excellent work done to date by Heralianz Investing Group, S.L. and its current representative, Félix Hernández Callejas, who has proved his capacity and professional worth in the performance of his duties, thanks to his broad, in-depth knowledge of business in general and the business of the Ebro Group in particular.
- e) It is convenient for Heralianz Investing Group, S.L. to remain on the Board in order to maintain optimum stability and balance in the composition of this body.
- f) The re-election of the director Heralianz Investing Group, S.L. 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.
- g) The academic qualifications of Félix Hernández Callejas and his recognised professional worth and experience, both as member of the Board and the Strategy and Investment Committee of Ebro and in the performance of his duties in some of the other companies in the Ebro Group.

Provided the Extraordinary General Meeting of Shareholders resolves to re-elect the director Heralianz Investing Group, S.L. and it accepts that re-election, the Nomination and Remuneration Committee has also assessed and resolved to issue a favourable report

to the Board regarding its continuity as a member of 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 Heralianz Investing Group, S.L., represented by Félix Hernández Callejas, for the statutory term of four years. Heralianz Investing Group, S.L. is classified as an executive director.

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Madrid, 26 November 2020

**Annex 3****Professional profile of Félix Hernández Callejas**

(Tudela, Navarra, 28-03-1958)

Law Degree from the University of Seville.

Having developed his entire career in the food industry, he has over 25 years' experience in the national and international rice sector, both in an executive role and on the boards of several subsidiaries of the Ebro Group operating in this sector.

He is vice-chairman of Instituto Hispánico del Arroz, S.A., joint and several director of Heralianz Investing Group, S.L., director of Magallanes Value Investors, SGIIC, S.A. and member of the Advisory Council of Caixabank in Andalusia.

He has a broad, thorough knowledge of the Ebro Foods Group, having been on the Board since 2007, first as a director in his own right and then representing first Instituto Hispánico del Arroz, S.A. and now Heralianz Investing Group, S.L.

Within the Ebro Group, he is CEO of the Herba Group in Europe and heads the R&D Department of the Group's rice business.

He speaks English.

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