

## ANNUAL ACTIVITY REPORT OF THE NOMINATION AND REMUNERATION COMMITTEE OF EBRO FOODS, S.A. FOR THE YEAR ENDED 31 DECEMBER 2020

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### 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 quidecies 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 2020 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](http://www.ebrofoods.es). The current composition of the Committee is also considered to have adequate diversity, both in expertise and experience and in matters relating to gender and the category of directors. In this regard it is noted that:

- There are currently three women (out of five members, i.e. 60%) on the Committee;
- Most of its members are independent directors (also three out of five, i.e. 60%), in line with the relevant good governance recommendations (Recommendation 47 of the Good Governance Code);

- Although both the proprietary directors on the Committee represent shareholders with a significant interest in the company's capital, they do not have a controlling influence on the management of the company and its Group, which reinforces the necessary independence of this Committee;
- 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 2020**

The Nomination and Remuneration Committee held five (5) meetings in 2020, all attended by the Committee Chairman. Of those meetings, only the one in February was in person, the remaining four being held by video conferencing owing to the restrictions imposed during the COVID-19 pandemic. This notwithstanding, the pandemic did not prevent adequate holding (online) of the Committee meetings considered necessary during the year.

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

#### **- Meeting of 12 February 2020:**

- 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 2019 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 2020; 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.

The Committee resolved to submit a proposal to the Board to review the fixed remuneration of the Executive Chairman, as informed in the Report on Directors' Remuneration for 2019.

- It further resolved to recommend the board to pay the Directors the second instalment of the share in profits corresponding to 2019.
- The Committee monitored the process of transposing Directive (EU) 2017/828 of the European Parliament and of the Council as regards the encouragement of long-term shareholder engagement, in those aspects affecting the competence of the Committee.

- **Meeting of 25 March 2020:**

- The Committee studied and agreed to recommend the Board, with a favourable report, to approve the Report on Directors' Remuneration for 2019, to be put to an advisory vote at the Annual General Meeting 2020 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 2019 on remuneration and categories of directors.
- The Committee decided to commence the assessment process of the Board, its Chairman and Committees corresponding to 2019, approving the questionnaire on which it would be based. Since the assessment of 2017 (made in 2018) 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 2019 was prepared, to be submitted to the Board of Directors. This Report was made available for shareholders coinciding with the call to the Annual General Meeting held on 29 July 2020.

- **Meeting of 17 June 2020:**

- The Committee considered and resolved to submit to the Board, with a favourable report, a proposal to increase the number of directors to 14 and table a motion at the Annual General Meeting for the appointment of Javier Fernández Alonso as proprietary director nominated by the core shareholder Corporación Financiera Alba, S.A.

It also reviewed and resolved to submit a favourable report to the Board on the adequacy of Tomás Hevia Armengol as individual representing the proprietary director Corporación Financiera Alba, S.A.

- The Committee studied and acknowledged the report prepared by the consultants Willis Tower Watson on whether, from the point of view of the market and comparable entities, the remuneration of the Executive Chairman (after the review assessed at the Committee meeting in February 2020), could be considered reasonable.
- Once the Board, upon the proposal and in view of the favourable view of the Nomination and Remuneration Committee, had resolved to review the fixed remuneration of the Executive Chairman (mentioned earlier), the Committee acknowledged the need to amend the current Directors' Remuneration Policy 2019-2021 to include that review. For this purpose, at its meeting in June 2020 the Committee studied the amendment of the Policy and, in pursuance of section 529 novodecies of the Corporate Entities Act, issued the corresponding specific report, remitted to the Board, informing favourably on the amendment of the Directors' Remuneration Policy 2019-2021.
- 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 2019 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.

- Anticipating that the remuneration of the directors for their duties as such in 2019 would be approved at the Annual General Meeting on 29 July 2020, the Committee submitted a favourable report to the Board on payment of the final settlement of that remuneration. It also informed favourably on the first payment on account of the statutory fixed remuneration of directors for their duties as such for 2020, payable in July 2020.

- **Meeting of 30 September 2020:**

- It was resolved to propose to the Board, with a favourable report, approval of the employee Share Delivery Plan 2020. That Plan, identical to the one in place in previous years, 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.

- **Meeting of 26 November 2020:**

- Anticipating that the Board would consider tabling a motion at the Extraordinary General Meeting of Shareholders (held on 16 December 2020) for the re-election of certain directors for the statutory term of four years, the Committee assessed the composition and needs of the Board and, based on that assessment, whether that proposal was appropriate, resolving to submit a favourable report on the matter to the Board.

Consequently, the Committee resolved to issue the necessary reports on the proposed re-elections.

The Committee also resolved to submit a favourable report to the Board on the re-election of those directors as members of the Committees they were on, assuming that the proposal for their re-election would finally be submitted to and approved at the General Meeting and the respective directors would accept their appointments.

The Committee members affected abstained from the discussion of and voting on the respective resolutions.

Finally, at the Board meeting held on 16 December 2020, it was resolved to review and amend, among others, the Policy on the Selection of Directors and Diversity in the Composition of the Board to adjust it to the revised text of the Good Governance Code of June 2020. In this regard, all the members of the Nomination and Remuneration Committee, present at that Board meeting, made a separate assessment of the proposed amendments and resolved to submit a favourable report thereon to the Board.

## **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**

Whenever it has been appropriate, the Committee has reviewed and issued reports for the Board regarding its composition and the appointment or re-election of directors.

For this purpose, the Committee has analysed the composition and needs of the Board from time to time prior to assessment for the issuance of any report on this matter, as well as ensuring that the proposals submitted conform 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**

As every year, in February (when the financial information for the previous year is practically finalised), the Nomination and Remuneration Committee checked that the quantitative budgets to which the variable remuneration of executives and other Group employees is tied were 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 12 February 2020.

### **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 2020 (regarding the self-assessment of 2019). However, in the assessment of 2019, made in 2020, 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. Directors were also asked for their opinion on the measures taken in respect of the procedures of the Board and its Committees following the 2018 assessment (made in 2019) and its adjustment to improve the aspects that led to those measures.

The results of the assessment made in 2020 once again 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 and external counselling**

During 2020, in addition to the actions mentioned above (recurring), the Nomination and Remuneration Committee:

- Submitted to the Board the proposed amendment to the Policy on Directors' Remuneration 2019-2021, to bring it in line with the review of the fixed remuneration of the Executive Chairman;
- 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 2019 (paid in full in 2020) and 2020 (partly paid, as an advance payment, during 2020);
- Assessed and resolved to submit a proposal to the Board for approval of an employee Share Delivery Plan 2020.

During 2020, the Nomination and Remuneration Committee requested and obtained external counselling in the assessment of whether, from the point of view of the market and comparable entities, the structure of the compensation package of the Executive Chairman could be considered reasonable, within the assessment of the review of his fixed remuneration.

Furthermore, in line with the provisions of the CNMV Technical Guidelines 1/2019 on Nomination and Remuneration Committees, the attendance by Group executives of Nomination and Remuneration Committee meetings was limited to cases in which this was absolutely necessary. Whenever executives attended meetings, this was strictly for the duration of their report on the appropriate matters and they left the meetings immediately afterwards (thus enabling the Committee to discuss the matters in question with total freedom and independence).

### **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 2020 (in respect of 2019), the assessment of both internal aspects of the Committee and the perception by other directors of its work were satisfactory.

**7. Verification of the degree of compliance with the Policy for the Selection and Diversity 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 24 March 2021. This report will be made available to the company's shareholders and investors within the Annual General Meeting section on the corporate website [www.ebrofoods.es](http://www.ebrofoods.es) coinciding with publication of the notice of call to the forthcoming Annual General Meeting.

Issued in Madrid, on 24 March 2021.

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Fernando Castelló Clemente  
Chair

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Luis Peña Pazos  
Secretary

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