Governance Model

GOVERNANCE MODEL

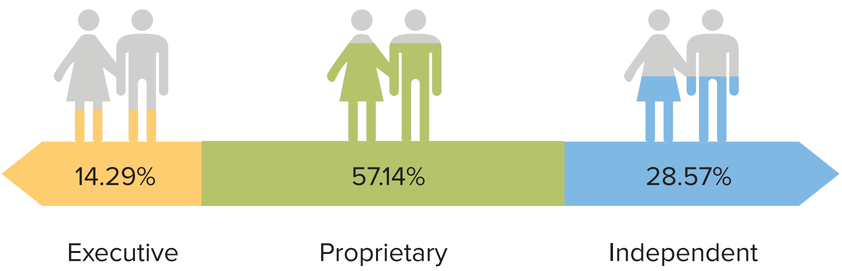
Governance bodies

The governance bodies of Ebro Foods, S.A. are the General Meeting of Shareholders and the Board of Directors.

The General Meeting is the company's sovereign body. It is competent to discuss and adopt resolutions on all business reserved in law or the Articles of Association for decision by this body and, in general, on any business submitted to it by the Board of Directors or the shareholders within its legal remit.

Save in any matters reserved by law, regulations or the Articles of Association to the General Meeting, the Board of Directors is the highest body of governance and administration of the company, with full powers to direct, administer and represent the company in the activities comprising its objects. The Board of Directors entrusts the day-to-day management of the company to its executive members and the senior officers, so that it can focus on oversight and certain general duties including, among others, those corresponding to it by law, those established in the Regulations of the Board and any that may be delegated to it by the General Meeting of Shareholders as stipulated in law.

The Board of Directors of Ebro Foods has fourteen members, two of whom are executive directors, eight are proprietary directors and four are independent directors.

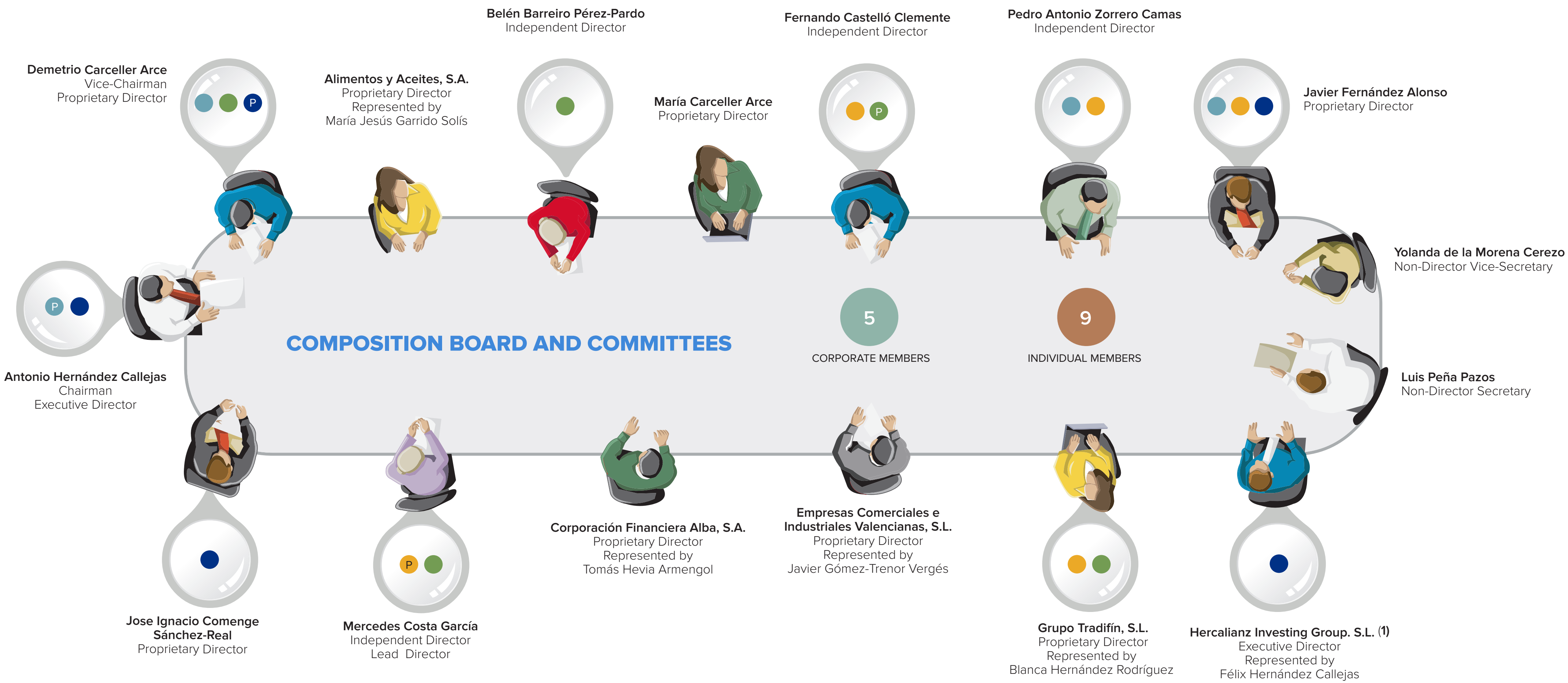


There are also four Committees, which guarantee fulfilment of the Board's duties and perform the powers vested in them by law, the Articles of Association and the Regulations of the Board.

These four Committees are:

- Executive Committee
- Audit and Compliance Committee
- Nomination and Remuneration Committee
- Strategy and Investment Committee

At 31 March 2021, the composition of the Board of Directors and its Committees is as follows:



EXECUTIVE COMMITTEE

AUDIT AND COMPLIANCE COMMITTEE

NOMINATION AND REMUNERATION COMMITTEE

STRATEGY AND INVESTMENT COMMITTEE

(P) COMMITTEE CHAIR

(1) The director Hercalianz Investing Group, S.L. does not perform any management or executive duties in Ebro Foods, S.A. or the Group. However, it is classified as executive director in view of the fact that its representative on the board, Félix Hernández Callejas, is an executive and director in some of the Group companies

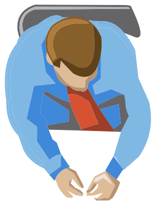
As female representatives account for 35.71% of the Board members, the company is aware that it must work on increasing the proportion of women, as the gender least represented on the board, to meet the target set in the Policy for Selecting Directors and Diversity in the Composition of the Board of Directors, according to which by 2022 that gender should account for 40% of the total Board members.

The number of independent directors (4) falls short of one-third (4.67) of the total number of Board members (14) recommended for companies like Ebro Foods, S.A. that are not high cap companies; nevertheless, 67.07% of the capital is represented on the Board. The Company considers it necessary to continue working on increasing the number of independent directors until it reaches at least the recommended one-third.

35.71%

WOMEN	5
aged 40-50	1
aged 51-60	4

64.29%



MEN	9
aged 40-50	3
aged 51-60	1
aged 61-70	4
aged 71-80	1

Shareholding structure and share performance

Ebro Foods, S.A. currently has a capital of €92,319,235.20, fully subscribed and paid up. The shares are issued in book-entry form, registered with the Management Company of Securities Liquidation and Clearing Registration Systems (IBERCLEAR) and listed on the four Spanish stock exchanges.

The details of the capital represented on the board as at 31 December 2020 are shown below:

SCALE OF PERCENTAGE INTERESTS IN THE CAPITAL	NUMBER OF SIGNIFICANT SHAREHOLDERS REPRESENTED ON THE BOARD AND/OR DIRECTORS WITH AN INTEREST IN THE CAPITAL	PERCENTAGE OF TOTAL CAPITAL
≥ 10.00%	3	36.05
≥ 5.00% < 10.00%	4	29.42
≥ 3.00% < 5.00%	0	0.000
< 3.00%	5*	1.60

(*) None of these five directors is a significant shareholder because the stake each holds in the capital is less than 3%.

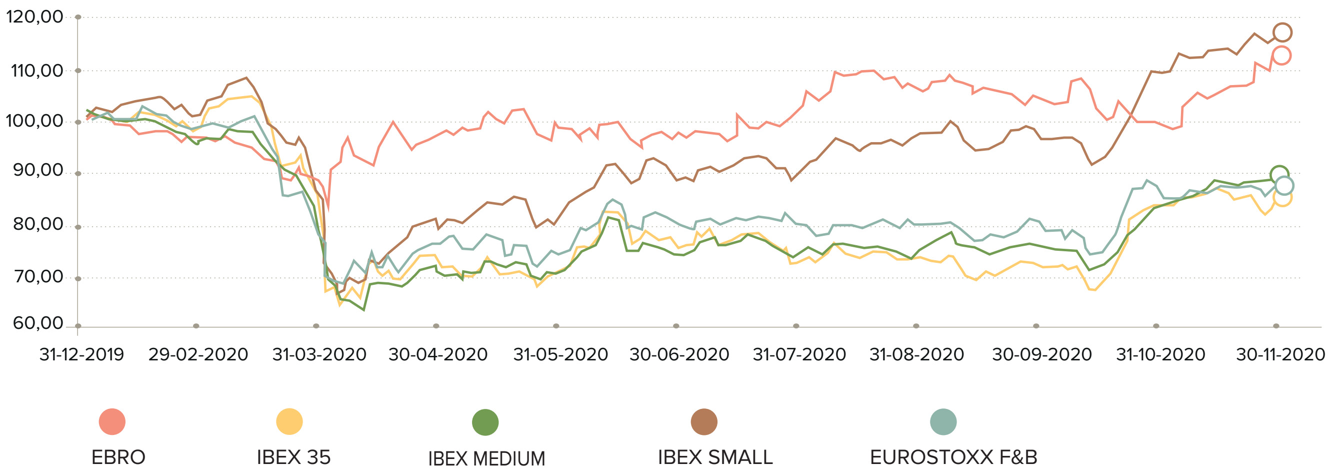
At 31 December 2020, the company had an estimated free float of 29.51%.

At 31 March 2021, the company had not received any notification affecting the details of capital represented on the Board and free float.

Share performance

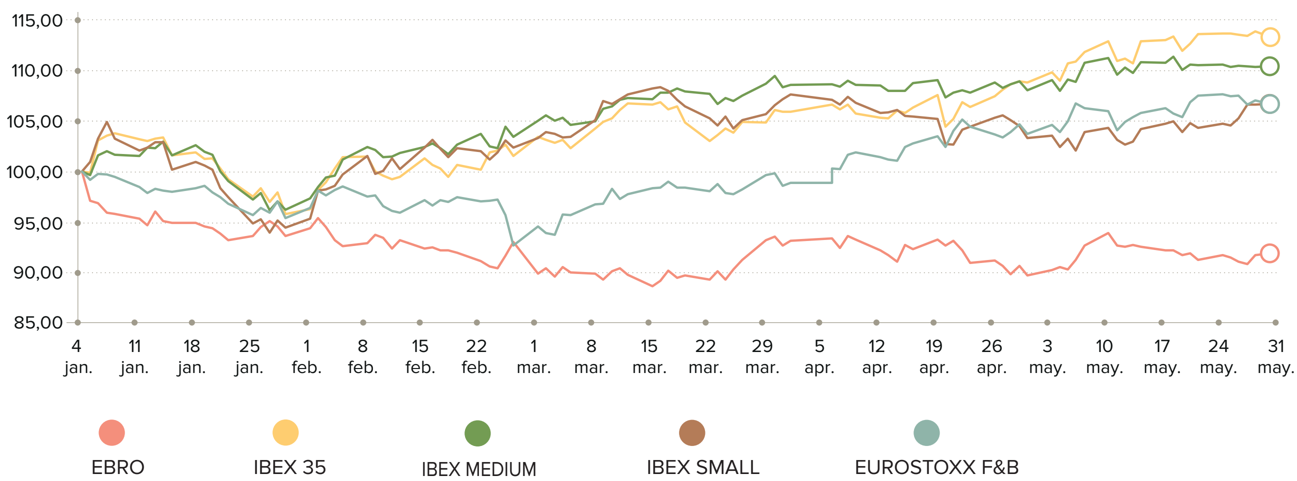
During 2020, the value of the Ebro Foods share rose by 10.8%. Ibex 35 closed the same period down 16.6%, Ibex Med down 11.0%, Ibex Small up 15.8% and Eurostoxx Food and Beverage down 13.9%.

EBRO VS INDEXES 2020



The average price of our share in 2020 was EUR 17.03 and it closed the year on 31 December at EUR 18.94. Share turnover was equivalent to 14.8% of the total number of shares in the company. The average daily volume of trading during 2020 was 88,797 shares.

EBRO VS INDEXES 1 JANUARY TO 31 MAY 2021



Observing share performance in 2021, at 31 May the value of the Ebro share reflects the significant dividend payout on 28 December. Consequently, against our reference indexes, Ebro has depreciated by 8%, while Ibex 35 has risen by 13%, Ibex Med by 10%, Ibex Small by 6.75% and Eurostoxx Food and Beverage by 6.5%.

EBRO ANALYSTS

Analysts continue to rate our share highly and EBRO is currently tracked by the following firms:

1. Banco Sabadell
2. Bankinter
3. BPI La Caixa
4. GVC Gaesco
5. Exane BNP Paribas
6. Fidentiis
7. Intermoney
8. Kepler Cheuvreux
9. Mirabaud
10. Alantra
11. Santander Investment
12. UBS
13. Renta 4

At year-end 2020, the average rating by analysts gave EBRO a target price of EUR 20.5 per share, 8.2% higher than our market price at that date.

DIVIDENDS

An ordinary dividend of EUR 88 million (EUR 0.57 per share) was distributed during 2020 against the 2019 profits.

The ordinary dividend was paid in three instalments (EUR 0.19 per share) in April, June and October 2020.

In addition, after divesting in the North American pasta businesses, an extraordinary dividend of EUR 298.49 million (EUR 1.94 per share) was paid on 28 December 2020.

The dividend yield per share at year-end 2020 was thus 13.25%.

For 2021, the Ebro Foods board unanimously resolved on 16 December 2020 to table a motion at the forthcoming Annual General Meeting proposing a dividend of EUR 0.57 per share against the 2020 earnings, to be distributed in three payments of EUR 0.19 per share in April, June and October 2021 (EUR 88 million). Therefore, the dividend would be maintained at the same level as in 2020.

NB: *All the information on the ownership structure and governance of the company can be consulted in the Annual Corporate Governance Report.*

Risk management

As one of the corporate policies approved by the board of directors, the Risk Control and Management Policy lays down the basic principles and general framework for control and management of our business risks, including tax risks, and internal control of financial reporting to which the Company and other Group companies are exposed.

Within this general framework, the integral, homogenous Risk Control and Management System is based on the preparation of a business risk map, where risks are identified and assessed and risk management capacity is graded to obtain a ranking of risks from greater to lesser impact for the Group and their probability of occurrence. The risk map also identifies the measures to mitigate or neutralise the risks identified. The risk universe is grouped into four main groups: compliance, operational, strategic and financial. The first three groups also include the principal non-financial risks related with the company's business:

OPERATIONAL RISKS

1. 1. Food safety. Given the nature of the business, aspects regarding food safety are a critical point to which the Group pays special attention, being bound by a large number of laws and standards in each of the countries in which our products are produced and sold.

   The Group's policy is based on the principles of compliance with the laws in force from time to time and guaranteeing food safety and quality.

   The food safety programmes are based on following protocols to identify and control certain critical points (Hazard Analysis and Critical Control Points –HACCP-), so that the residual risk is minimal.

   The main control points are grouped into:

   - Physical points: controls to detect foreign bodies or the presence of metals
   - Chemical points: detection of chemical elements or the presence of allergens
   - Biological points: presence of elements such as salmonella or any other kind of pathogens

   Most of our handling processes have obtained IFS (International Food Safety), SQF (Safe Quality Food) and/or BRC (British Retail Consortium) certificates, recognised by the Global Food Safety Initiative (GFSI) as food product certification standards, as well as local and special product certificates (Kosher, gluten-free or Halal foods).

The Group has also defined, developed and implemented a quality, environment and food safety management system compliant with the requirements of the standards UNE-EN-ISO 9001 (Quality management), UNE-EN-ISO 14001 (Environmental management) and ISO 22000 (Food safety management).

2. Technological (trailing behind) risk. One of the most important tools for standing up to competition is differentiation and product alignment, which is based on constant technological innovation and the endeavour to adapt to consumer desires. The R&D and innovation strategy is a fundamental part of the Group's general strategy. The R&D and innovation departments, in close collaboration with the Commercial and Marketing departments, work on reducing this risk.

   This area also includes cyber security risks. The exponential growth of internet access exposes companies and users to different types of attack: identity theft, malware, attacks on websites, zero-day attacks, etc. Accordingly, the Group made an audit of its security and drew up an action plan that contemplated: (i) ongoing training of personnel on these threats, (ii) definition of an adequate network infrastructure (firewalls, Wi-Fi access, network electronics, browsing possibilities and design of connected industrial networks), (iii) correct definition of user points (antivirus, mobile device management systems, permissions, updates) and (iv) programme for data preservation and management (back-ups, use of the cloud, shared information).

ENVIRONMENTAL AND STRATEGICAL RISKS

1. Environment and natural risks. Drought and flooding in the commodity-producing countries can cause problems of availability and price instability. These natural risks can also affect consumers in the affected regions or even the Group's assets in those locations.

   The best way of mitigating this type of risks is to diversify both the sourcing of raw materials and the countries in which our products are sold. The Group also makes sure it has flexible production capacity with plants in four continents, which minimises possible local problems. In addition, the Group has taken out insurance policies covering all its plants and sites, which would mitigate any disaster that could jeopardise their value.

2. Climate change. El Global warming is a serious threat to the Group owing to our direct dependence and impact on natural resources such as land or water and their importance for the proper development of our business activities. Accordingly, we have set up a task force to study and classify the potential impacts that climate change may have on our organisation and assign to each one the appropriate mitigation and/or adaptation measures, based on a prior matrix of risks already identified*. Our sustainability plan HEADING FOR 2030 (caringforyouandtheplanet.com), started up in 2019, contemplates a number of actions and goals for these measures, such as: 1) making a more efficient consumption of water and energy; 2) reducing, recovering and re-using waste; 3) recycling packaging; 4) optimising logistics; and 5) using new sustainable agriculture models and technologies.

* Initial matrix of potential risks deriving from climate change

TYPES OF RISK	RISKS	IMPACTS	MEASURES
Financial Operational Strategic	Extreme weather events: droughts, torrential rain, hurricanes…	1. Changes in the quality and quantity of harvests 2. Raw material price volatility 3. Production shutdown due to damage to own and/or external infrastructures 4. Rise in consumer prices	1. Geographical diversification for sourcing 2. Diversification of product portfolio 3. Anticipation of possible risks of weather perils when choosing workplace locations 4. Permanent innovation
Strategic Operational	Rising temperatures	1. Smaller consumption of seasonal products 2. Changes in consumer habits 3. Greater energy consumption 4. Changes in crop yields	1. Diversification of product portfolio 2. Innovation 3. Improvement of energy efficiency 4. Innovation in agricultural technology and seed varieties 5. Sustainable agriculture
Financial	Higher taxes and rates for energy, water or transport	Smaller profits, new investments to adapt to changing market circumstances	1. Improvement of energy efficiency 2. Optimisation and sustainability of logistics 3. Promotion of and incentive to improve sustainability in the company
Financial Compliance	Laws or Regulations imposing limits on emissions and fines for exceeding them	Financial, need for additional investments to adapt to the new laws/ regulations	1. Anticipation of new legal requirements, analysing trends, participating in forums, etc. 2. Consistent internal regulation of the matter 3. Promotion of and incentive to improve sustainability in the company
Reputational Strategic	Negative reputation for lack or breach of commitments regarding climate change	1. Brand image, reputation 2. Loss of business	1. Publication of the company's good environmental practices 2. Participation in sectoral forums and entities related with the environment
Reputational Financial	Withdrawal of investment funds/shareholders due to non-compliance with required ESG criteria	1. Image, reputation 2. Market instability	1. Consistent internal regulation of the matter 2. Publication of the company's good practices 3. Proactive communication attitude

3. Reputational risk. This risk is associated with possible changes of opinion, giving rise to a negative perception of the Group, its brands or products by customers, shareholders, suppliers, market analysts, etc., which could have an adverse effect on the Group's ability to maintain relations (commercial, financial, labour, etc.) with its environment.

   To deal with this risk, the Group has approved a Code of Conduct to guarantee ethical, responsible conduct by the organisation, its employees and all persons and institutions with which it interacts in the course of its business activities.

   In this context, we have included as a significant risk unfounded negative comments or opinions that can so easily be posted in the social networks, owing to the very limited possibilities of controlling them other than close monitoring and specific communication actions to reverse their impact.

   The Group's brands and employees are our most valuable intangible assets, so they are submitted to continuous assessment, considering different aspects, such as management, marketing, health and food safety, compliance and legal defence of intellectual property.

4. Changes in lifestyle. The proliferation of low carbohydrate diets and other food trends can have a bearing on consumers' perception of our products.

   These risks can be mitigated by assessing consumption patterns and adapting the offer of products to the alternatives on the market, while participating actively in social forums to encourage healthy habits that are compatible with our products.

COMPLIANCE RISKS

1 Sector regulation. The agro-industrial sector is subject to numerous regulations affecting export and import quotas, customs duties, intervention prices, etc., subject to the guidelines set down by the Common Agricultural Policy (CAP). The Group's activity may also be affected by changes in legislation in the countries where the Group sources raw material or sells its products.

   The Group deals with this risk by participating in or echoing the different legal and/or regulatory forums through a number of prestigious professionals who endeavour to secure adequacy and compliance.

   Within this group, the increasingly strict laws on the use of fungicides and pesticides on the basic crops for this industry, especially rice, are becoming more and more important and linked to other operational risks such as supply and food safety.

   To mitigate this risk, the Group has stepped up its quality controls and checks to detect this type of product, working on a selection of protection providers, who are going to be asked to incorporate sustainability criteria in their policies, and providing more education for growers to seek natural alternatives for these products.

2. General regulation. This includes compliance risks concerning civil, mercantile, criminal and governance laws and regulations. To help deal with criminal risks, the Group has a Crime Prevention Model, which is monitored and controlled by the Compliance Unit.

   One specific part concerns respect for and compliance with human rights and maintaining appropriate ethical standards, as contemplated in the Group's Sustainability Plan and Code of Conduct.

3. Tax laws. Any change in the tax laws or their interpretation or application by the competent authorities in the countries in which the Group operates could affect our earnings.

   To mitigate this risk, the Group, directed by those responsible for taxation, monitors the tax laws and possible interpretations thereof, requesting specific reports from specialists to support its stand, guided at all times by a principle of prudence in this matter.

In the process of classifying risks, a dynamic assessment is made of both inherent risk and the residual risk after applying the internal controls and protocols established to mitigate them. Those controls include preventive measures together with adequate segregation of duties, clear levels of authorisation and the definition of policies and procedures. These controls can in turn be grouped into manual and automatic, the latter being implemented by computer applications.

This model is both qualitative and quantitative and can be measured in the Group's earnings, so the risk level is considered acceptable or tolerable on a corporate level.

The Risk Control and Management System is dynamic, so the risks to be considered vary with the circumstances in which the Group operates.

The Risk Control and Management System, including tax risks and control of financial reporting, is based on the following structure:

- The Board of Directors, as the body ultimately responsible, determines the risk control and management policy, including tax risks and control of financial reporting.
- The Audit and Compliance Committee, through the Risks Committee, supervises and monitors the financial reporting and risk control systems, regularly informing the Board of any material aspects occurring in these areas. It is also responsible for supervising and overseeing internal control of the Group and the risk management systems, and for proposing to the Board the risk control and management policy and any measures for enhancing these areas.
- The Risks Committee, based on the policy established by the Board and supervised by and answering to the Audit Committee, is specifically responsible for coordinating and monitoring the risk control and management system, including the Group's financial reporting and tax risks. The analysis and assessment of risks associated with new investors also falls within the remit of the Risks Committee.
- The Management Committees of the different units, on which the Chairman of the Board and the Chief Operating Officer (COO) sit, assess the risks and determine the measures to be implemented.
- Risk officers in the different units. The Risks Committee appoints officers in the major subsidiaries to monitor the risk control and management system, including tax risks and financial information, and reporting to the Committee.
- Internal Audit Department. Within the internal audits made of the different subsidiaries, the company's Internal Audit Department checks that the financial reporting and risk management testing and control have been conducted adequately, complying with the indications of the Risks Committee.

NB: *Further information on the description of risks and risk control and management system is available in section 4 of the Management Report and section E of the Annual Corporate Governance Report, both available on the corporate website.*