

**REPORT MADE BY THE APPOINTMENTS AND REMUNERATION COMMITTEE TO THE BOARD OF DIRECTORS OF ENCE ENERGÍA Y CELULOSA, SA REGARDING THE BOARD'S PROPOSAL TO RE-ELECT MEMBERS OF THE BOARD OF DIRECTORS AND THIS COMMITTEE'S PROPOSAL TO RE-ELECT AND APPOINT INDEPENDENT DIRECTORS**

**1. PURPOSE OF THE REPORT**

The Appointments and Remuneration committee of ENCE ENERGÍA Y CELULOSA, SA (the "**Company**") makes this report in accordance with articles 529 *decies* (section 6) and 529 *quindecies* (section 3.d) of the Capital Companies Act, which establish that the proposal for the nomination and re-election of Non-Independent Directors must be preceded by a report issued by the Appointments and Remuneration Committee. The foregoing shall also apply to the proposal for the appointment of natural persons who act as representatives of a legal entity Director.

Likewise, this report complies with section 4 of article 529 *decies* of the Capital Companies Act, which assigns the Appointments and Remuneration committee the right to make proposals for the appointment or re-election of Independent Directors.

It is provided that the proposal for the appointment and re-election of members of the Board of Directors will be submitted for approval by the General Shareholders' Meeting of the Company called for March 28 and 29, 2019, at 12:30 p.m. in first and second call, respectively, under the fifth point of the agenda.

**2. REPORT ON THE NOMINATION AND THE RE-ELECTION OF NON-INDEPENDENT DIRECTORS**

The Board of Directors has asked the Appointments and Remuneration Committee to report on re-election of two non-Independent Directors that are planned to be proposed to the General Shareholders' Meeting.

For this purpose, the committee has evaluated the skills necessary for the performance of the position of Director of the Company and, among them, those related to the training, professional experience and suitability of the Directors, as well as the dedication of the necessary time. In accordance with the Board of Directors Regulations of the Company, the proposals for the re-election of Directors that the Board of Directors decides to submit to the General Shareholders' Meeting must be subject to a formal preparation process, of which a report issued by the Appointments and Remuneration Committee will necessarily be a party.

The Appointments and Remuneration Committee, based on the profiles of the candidates, and in accordance with the policy for selecting Directors and the current needs of the Company's bodies, has agreed to report favourably on the proposals for the re-election of Non-Independent Directors, as explained below.

**2.1 Re-election of Mr. Fernando Abril-Martorell Hernández as another External Director**

The Appointments and Remuneration Committee has valued very positively the quality of Mr. Abril-Martorell's work and his dedication to the position since he was first appointed as a Director of the Company in 2007.

Mr. Abril-Martorell has extensive experience in the business world, with recognised management skills in various sectors, such as telecommunications, technology and finance. He is a highly qualified professional, with international projection and he is accustomed to managing diverse teams. His strategic vision, his knowledge and his skills in the management of large corporations in complex environments have enriched the debate within the Board of Directors and the Committees which he has been a member of.

The Committee considers that in the current environment, where the Company faces the challenge of executing its new Strategic Plan, his profile as a solid and prestigious manager, together with his knowledge of the company and the sector in which he operates, he is a necessary asset to support and supervise, together with the rest of the Board, the Company's activity.

For this reason, the Committee has agreed to submit his favourable report to the board so that he can propose to the General Shareholders' Meeting the re-election of Mr. Abril-Martorell as another External Director for the statutory period of three years.

## 2.2 Re-election of Mr. José Guillermo Zubía Guinea as another External Director

In relation to the re-election proposal of Mr. José Guillermo Zubía, the Committee has valued very positively the quality of his work and his dedication to the position since his incorporation in 2007.

Mr. Zubía has considerable experience in, and extensive knowledge of the business sector. His performance as Chairman of the Audit Committee and of the Appointments and Remuneration Committee has been very relevant in reaching the Company's current level of corporate governance; likewise, his work as a Director and his contributions are highly valued by the members of the Board. He is a professional who combines his extensive business experience with solid knowledge of legal, financial, accounting, risk and auditing matters, which makes his participation in corporate bodies very valuable, as he enriches discussions and debates. He also has deep knowledge of the company and his sector.

Taking into account that Mr. Zubía has held the position of Independent Director in the Company for a period of 12 years, in accordance with the provisions of article 529 duodecies 4 i) of the Companies Act and Article 8 bis 3.j) of the Board Regulations, the re-election of Mr. Zubía will have to be carried out with the capacity of another External Director.

For this reason, the Committee has agreed to submit his favourable report to the board so that he can propose to the General Shareholders' Meeting his re-election as another External Director for the statutory period of three years.

## **3. PROPOSAL FOR RE-ELECTION OF INDEPENDENT DIRECTOR**

The Appointments and Remuneration Committee has decided to submit the proposal to Board of Directors for submission to the General Shareholders' Meeting for re-election of Ms. Isabel Tocino Biscarolasaga as an Independent Director of the Company.

The Appointments and Remuneration Committee has very positively assessed the quality of Ms. Tocino's work and dedication to her position as an Independent Director since she joined the Board in 2013, and she has been a member of various committees of the Company in recent years. Ms. Tocino brings a broad vision from her professional experience in various fields of activity, her

involvement in sectors such as Finance or Energy, which, combined with her in-depth knowledge and constant seeking to remain updated on environmental issues, makes her profile very interesting and her contribution very valuable for the Board and the Committees of which she is a member. Her leadership at the head of the Sustainability Committee was particularly noteworthy, promoting and supervising the promotion of the company's strategy in this area. Her *curriculum vitae* is incorporated as Appendix I to this Report.

Based on his personal and professional assets and the performance of his position as Director, the Appointments and Remuneration Committee considers that Ms. Tocino has the necessary competence, experience and merits that justify his proposal to the Board of Directors for re-election of Ms. Tocino as an Independent Director for the statutory period of three years, for submission to the General Shareholders' Meeting.

#### **4. PROPOSAL FOR APPOINTMENT OF INDEPENDENT DIRECTORS**

The Company is highly committed to the objective set out in the Board Member Selection Policy, which consists of ensuring that, by 2020, the number of female Directors represents at least 30% of the total number of Board members.

In order to meet this objective, it has been taken into account that for 2020, the Directors whose position expires and who, consequently, should be re-elected have the category of proprietary (representing a significant shareholder) and executive, respectively. Based on this fact, the Committee deemed it advisable to speed up the decisions aimed at meeting the aforementioned objective of representing women on the Board this year.

For this purpose, given that Mr. Pedro Barato Triguero, as a consequence of the increase in the scope and manner of rendering of his services to the Company that is going to take place, has notified the Appointments and Remuneration Committee and the Board of Directors of his intention to resign his status as Director effective as from the next Ordinary General Shareholders' Meeting, thus allowing, with his vacancy, the appointment of a new Independent Director. The Committee records its appreciation and recognition of the services rendered by Mr. Barato to the Company as a Director, as Chairman and member of several of its Commissions.

Likewise, taking into account that the position of director of Mr. Luis Lada Díaz expires on the date of the next Ordinary General Shareholders' Meeting, and despite the great dedication and excellent work carried out by said Director, the Committee, with the objective of continuing to increase the presence of women on the Board, has deemed it appropriate not to propose the re-election of Mr. Lada, also recording the gratitude and recognition of the services rendered by Mr. Lada to the Company as Director, as chairman and member of the Audit Committee.

As a result of the foregoing, and in order to cover the two vacancies generated, the Appointments and Remuneration Committee has decided to propose the incorporation of two new Independent Directors.

To this end, the Committee has carried out a selection process with the advice of a prestigious external consultant and with the participation of the other members of the board. In the implementation of this process and after analysing the profiles that could complement and reinforce the existing ones, the Board has defined the requirements that must be taken into account for the selection. As a result of this analysis, it has been considered appropriate to propose the nomination

of two female directors who respond to two different profiles necessary for the Board: one preferably of an industrial nature and the other of a more financial nature.

Based on said selection process, the Appointments and Remuneration Committee has decided to submit the following nomination proposals to the Board of Directors for submission to the General Shareholders' Meeting:

#### 4.1 Nomination of Ms. Amaia Gorostiza Tellería as an Independent Director.

The Appointments and Remuneration Committee has decided to submit the proposal to the Board of Directors for submission to the General Shareholders' Meeting for nomination of Ms. Amaia Gorostiza Tellería as an Independent Director of the Company.

Ms. Amaia Gorostiza Tellería, whose *curriculum vitae* is attached as Appendix II, has studied Business Studies at the Institute of Business Studies of the Basque Country University. She began her professional career in her family business Industrias Amaia Tellería, where she worked in different departments acquiring global knowledge of the company. She held the position of Chief Financial and Administrative Officer and member of the Board of Directors until the sale of the company. She has held the position of Auditor on the Board of APD-Norte and she has been a member of the Finance Committee of Elkargi (mutual guarantee society).

She is currently an Independent Director, a member of the Audit Committee and a member of Dominion's CSR Committee, an Independent Director of IMQ and Chairman of the Board of Sociedad Deportiva EIBAR.

Based on her personal and professional assets, which correspond to the profile established when the selection process was decided to start, the Appointments and Remuneration Committee considers Ms. Amaia Gorostiza Tellería has the necessary skills, experience and merits, as well as the availability needed that justify the submission of her proposal to appoint her as an Independent Director for the statutory period of three years to the Board of Directors for submission to the General Shareholders' Meeting.

#### 4.2 Nomination of Ms. Irene Hernández Álvarez as an Independent Director.

The Appointments and Remuneration Committee has decided to submit the proposal to the Board of Directors for submission to the General Shareholders' Meeting for nomination of Ms. Irene Hernández Álvarez as an Independent Director of the Company.

Ms. Irene Hernández Álvarez, whose *curriculum vitae* is attached as Appendix III, has a degree in Economic and Business Sciences from ICADE, with a National Award for Excellence in Academic Performance. She began her professional career at JP Morgan in Madrid and New York, where she was responsible for major fixed income and equity operations in national and international markets. She has developed an outstanding career in financial advisory services for family businesses and investors of all types. She is a founding partner of Impulsa Capital, a company dedicated to corporate financial advice, and a Registered Advisor to MAB. Her experience and training make her knowledgeable in corporate governance best practises and she has extensive experience in venture capital companies. He has advised several Boards of family-owned businesses.

She is currently an Independent Director of Saint Croix Holding Immobilier SOCIMI, S.A. and an

Independent Director of Elecnor, S.A.

Based on her personal and professional assets, which correspond to the profile established when the selection process was decided to start, the Appointments and Remuneration Committee considers Ms. Irene Hernández Álvarez has the necessary skills, experience and merits, as well as the availability needed that justify the submission of her proposal to appoint her as an Independent Director for the statutory period of three years to the Board of Directors for submission to the General Shareholders' Meeting.

## **Appendix I**

### ***Curriculum vitae of Ms. Isabel Tocino Biscarolasaga***

Ms. Isabel Tocino Biscarolasaga, Doctor in Law and professor at the Complutense University, has taken top management programmes at IESE and Harvard Business School.

She has been Minister for the Environment, deputy and chairperson of the Foreign Affairs Committee and the European Affairs Committee at the Congress of Deputies, chairperson for Spain and Portugal and Vice-Chairman for Siebel Systems Europe.

As Minister for the Environment, she participated actively in negotiating the Kyoto Protocol and promoted various legislative initiatives on waste, water and hydrological resources and national parks. She previously worked at the Nuclear Energy Board (today CIEMAT) and was part of the OECD European Energy Agency's Governmental Legal Experts' Group and today is a member of the International Society of Nuclear Law and the Spanish Nuclear Society (SNE).

She is currently an advisor to ENAGÁS, S.A., Vice-Chairman of the Santander Spain Board of Directors and chairperson of Banco Pastor.

She holds the Great Cross of Knighthood of the Royal Order of Charles III and of the Cross of San Raimundo de Peñafort.

## **Appendix II**

### ***Curriculum vitae of Ms. Amaia Gorostiza Tellería***

Ms. Amaia Gorostiza Tellería has studied Business Studies at the Institute of Business Studies of the Basque Country University.

She began her professional career in her family business Industrias Amaia Tellería, where she worked in different departments and acquired deep global knowledge of the business. Her professional development focused on the financial field, becoming Chief Financial and Administrative Officer and later a member of the Board of Directors. Also, in the financial field, she has been an Auditor of the APD-Norte's Board and a member of the Finance Committee of Elkargi (mutual guarantee society).

Currently, she is a founding partner and Chairman of Geo Management, a company dedicated to business and investment advice, and Geo Ingerobotica, dedicated to engineering services and industrial automation.

She is currently an Independent Director, a member of the Audit Committee and a member of Dominion's CSR Committee dedicated to technology and innovation solutions, an Independent Director of IMQ, dedicated to health services, and Chairman of the Board of Sociedad Deportiva EIBAR.

### **Appendix III**

#### ***Curriculum vitae of Ms. Irene Hernandez Alvarez***

Ms. Irene Hernández Álvarez has a degree in Economics and Business Administration from ICADE. She received a National Award For Excellence in Academic Performance, the Second National Economy Award and the VI Carlos Cubillo Valverde Award in 1988.

She began her professional career at JP Morgan in Madrid and New York, between 1988 and 2001, where she was responsible for major fixed income and equity operations in national and international markets. She has developed an outstanding career in financial advisory services for family and investors businesses of all types. She is a founding partner of Impulsa Capital, a company dedicated to providing corporate financial advice to mid-sized companies and private equity or venture capital funds, interested in financing alternatives, investment, divestment or restructuring, while also being a Registered Advisor to MAB. She has extensive experience in venture capital businesses and she has advised several Boards of Directors of family-owned companies.

She is currently an Independent Director of Saint Croix Holding Immobilier SOCIMI, S.A. and an Independent Director of Elecnor, S.A.