

**REPORT MADE BY THE APPOINTMENTS AND REMUNERATION COMMITTEE TO THE BOARD OF DIRECTORS OF ENCE ENERGÍA Y CELULOSA, S.A. 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, S.A. (the "**Company**") has drafted this report in accordance with Articles 529 *i* (section 6) and 529 *n* (section 3.d) of the Capital Companies Act, which establishes that the proposal for the appointment and re-election of Non-Independent Directors must be preceded by a report issued by the Appointments and Remuneration Committee.

Likewise, this report complies with section 4 in Article 529 *i* 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 expected that the proposal for the appointment and re-election of members of the Board of Directors will be submitted for approval at the Company's Annual General Meeting called for on 25 and 26 March 2021 at 12:30 p.m. in first and second call, respectively, under the fifth point of the agenda.

**2. BACKGROUND INFORMATION ON THE APPOINTMENTS AND REMUNERATION COMMITTEE REPORT**

In accordance with the Company's Board of Directors Regulations, the proposals for the appointment and re-election of Directors submitted at the Annual General Meeting must be subject to a formal process, of which a report issued by the appointments and remuneration committee will necessarily form part.

For the purposes of issuing the required report, the Committee has taken the following into account:

- Board selection policy and diversity in board composition
- The competency matrix
- The education, professional experience, and suitability of the directors
- The time commitment required

In addition, the appointments and remuneration committee has taken into account the vacancies that will arise on the board of directors as a result of the wish expressed in advance by certain directors not to be re-elected, with effect from the next general meeting. In particular, the following individuals have expressed this wish:

- The proprietary director Mr Juan Luis Arregui Ciarsolo. Mr Arregui Ciarsolo will remain the Honorary Chairman of the Company, an appointment that was unanimously approved by the Board in April 2019 in recognition of his work and contribution to the success and transformation of the Company during his tenure.

The committee expressly acknowledges its gratitude to Mr Juan Luis Arregui in this report for

his extraordinary personal and professional contribution to the company. He was the leading architect of the exceptional transformation Ence has undergone since he became a shareholder in 2006. From the outset, he has been committed to current and necessary aspects such as renewable energy and technology, which are now part of Ence's identity, while at the same time ensuring the company's financial security and showing a constant commitment to the long-term growth of Ence.

- The independent director Mr José Carlos del Álamo Jiménez could not be re-elected in the same capacity as he has been an independent director for 12 years. The Committee thanks Mr Del Álamo for his valuable contribution to the board of directors and the committees of which he has been a member and recognises his dedication and commitment to the Company, especially in his capacity as coordinating independent director.
- Other external director Mr Javier Echenique Landiribar. The Committee thanks Mr Echenique for his valuable professional contribution and his great dedication to the Ence Board of Directors and various committees during the sixteen years he has formed part of the Company.

Mr Echenique and Mr Del Álamo wishes not to be re-elected forms part of the commitment of the board members to follow the good governance recommendations proposing an increase in the number of women and independent directors, as well as the diversity objectives established in the Policy for the Selection of Directors and Diversity in the Composition of the Board.

In addition, in view of the planned re-elections of the proprietary directors Retos Operativos XXI, S.L. and Turina 2000, S.L., the upcoming regulation expected to come into force in the new year has been taken into account, which will require that the members of the board of directors of a listed company be natural persons<sup>1</sup>. As a consequence of the foregoing, it has been deemed appropriate not to propose the re-election of these directors that are legal entities and, instead, to propose the appointment as proprietary directors of the natural persons who represented them on the board. In this respect, this committee is reporting the proposed appointments of Mr Oscar Arregui Abendivar and Mr Gorka Arregui Abendivar as proprietary directors in place of Retos Operativos XXI, S.L. and Turina 2000, S.L., respectively.

Finally, the committee has proposed reducing the size of the Company's board of directors by one member so, in the event the proposals submitted to the General Meeting are approved, the total number of board members will be 13.

### **3. REPORT ON THE APPOINTMENT OF NON-INDEPENDENT DIRECTORS**

The Board of Directors has asked the appointments and remuneration committee to report on the appointment and re-election of various directors that are expected to be proposed at the Annual General Meeting.

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<sup>1</sup> As of the date this report was prepared, the Draft Law amending the consolidated text of the Capital Companies Act and other financial regulations in order to transpose Directive 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement ("SRD II") has been approved by the Spanish Congress of Deputies.

Based on the foregoing in the previous section, the appointments and remuneration committee has decided to report favourably on the proposed appointments of non-independent directors, as explained below.

### 3.1 Appointment of Mr Javier Arregui Abendivar as a proprietary director

The proposal by the significant shareholder of the company Retos Operativos XXI, S.L. is to replace Mr Juan Luis Arregui Ciarsolo with Mr Javier Arregui Abendivar, whose appointment is expected to be proposed at the Annual General Meeting.

After analysing Mr Javier Arregui's professional trajectory, the appointments and remuneration committee has concluded that he is suitable to occupy the position of proprietary director. The committee highlighted his experience and knowledge in the field of forestry management, as well as in international business development, focused on the field of energy. These competences adequately correspond to the profiles that have been deemed necessary to be a member of the Board.

His capacity for dedication to the position has also been assessed, which has been deemed adequate.

The committee has therefore agreed to submit its favourable report to the board so that it can propose to the general meeting the appointment of Mr Javier Arregui Abendivar as proprietary director for the statutory period of three years, replacing Mr Juan Luis Arregui Ciarsolo.

### 3.2 Appointment of Mr Óscar Arregui Abendivar as proprietary director, replacing the legal entity director Retos Operativos XXI, S.L.

The significant shareholder of the Company Retos Operativos XXI, S.L. has proposed their replacement as proprietary director of the Company by Mr Óscar Arregui Abendivar, who until now has been their natural person representative as a member of the board of Ence, and whose appointment is to be proposed at the Annual General Meeting.

The Appointments and Remuneration Committee highly values the quality of the work and dedication to the position by Mr Oscar Arregui Abendivar as the natural person representing Retos Operativos XXI, S.L., considering that his profile and preparation, with special consideration regarding agroforestry and environmental issues, provide much-needed experience to the Board and the Sustainability Committee.

Therefore, the committee has agreed to submit its favourable report to the board so that it may propose to the General Shareholders' Meeting Mr Oscar Arregui Abendivar's appointment as proprietary director for the statutory period of three years.

### 3.3 Appointment of Mr Gorka Arregui Abendivar as proprietary director, replacing the legal entity director Turina 2000, S.L.

The significant shareholder of the Company, Retos Operativos XXI, S.L., has proposed the replacement of the legal entity proprietary director Turina 2000, S.L. by Mr Gorka Arregui Abendivar, who has been their natural person representative since his first appointment as a member of the Ence board, and whose appointment is expected to be proposed at the Annual General Meeting.

The appointments and remuneration committee has highly valued Mr Gorka Arregui Abendivar's dedication to the Company's Board of Directors, noting his punctual attendance at meetings and his suitable preparation on the issues addressed, his contributions, and the quality of his work, which have contributed to discussion and reflection, both on the Board and on the committees on which he has participated.

Therefore, the committee has agreed to submit its favourable report to the board so that it may propose to the Annual General Meeting Mr Gorka Arregui's appointment as a proprietary director of the Company for the statutory period of three years.

### 3.4 Ratification and appointment of Mr. José Ignacio Comenge Sánchez-Real as proprietary director, co-opted appointment by the Company's board of directors on December 22, 2020

The committee reported favourably on the confirmation and appointment of Mr José Ignacio Comenge Sánchez-Real as a proprietary director of the Company. He was appointed a member of the board of directors by co-opting, at its meeting of 22 December 2020, following a favourable report from this committee, at the proposal of the significant shareholder Mendibea 2002, S.L., filling the vacancy on the board following the resignation from the board by the director La Fuente Salada, S.L.

Mr José Ignacio Comenge Sánchez-Real's professional experience in various sectors and the work he carried out as a natural person representing La Fuente Salada, S.L. and Mendibea 2002, S.L. on the Ence board of directors since 2014 have been highlighted by the committee, which has highly valued and appreciated his contribution to the board's deliberations, the quality of his contributions to the board's discussions, and his strategic vision of the business. The Committee also highlighted Mr Comenge's knowledge of the industrial sector and his international experience and the time he has devoted to the Company by actively participating in Board and Committee meetings of which he is a member.

Therefore, the committee has agreed to submit its favourable report to the board so that it may propose to the Annual General Meeting the confirmation of the appointment of José Ignacio Comenge Sánchez-Real as a proprietary director for the statutory period of three years.

## **4. PROPOSAL FOR INDEPENDENT DIRECTOR RE-ELECTION**

The Appointments and Remuneration Committee has decided to submit the proposal to the Board of Directors for submission at the Annual General Meeting for the re-election of Ms Rosa María García Piñeiro as an independent director of the Company.

The appointments and remuneration committee has very positively assessed the quality of the work and the dedication to the position of Ms García Piñeiro (whose CV is enclosed as Annex I to this report) as an independent director since joining the board in 2018. The committee has highlighted her knowledge and experience in the field of sustainability and her career trajectory in the industrial sector, which allows her to identify and address issues of interest within the board and to share a practical and insider vision of the reality of plants and biofactories. Her contribution to the Sustainability Committee is appreciated in particular, supported by her international experience and solid knowledge of regulations and trends in ESG issues.

The committee also took into account the dedication of Ms Rosa Garcia, her punctual attendance at meetings, and her suitable preparation on the issues to be discussed or addressed at meetings.

Based on her personal and professional qualities and the performance of her duties as a director, the appointments and remuneration committee considers that Ms García Piñeiro has the necessary competences, experience, and merits to justify submitting to the board of directors the proposal for the re-election of Ms Rosa María García Piñeiro as independent director for the statutory period of three years, to be submitted to the general meeting.

## **5. PROPOSAL FOR APPOINTMENT OF AN INDEPENDENT DIRECTOR**

To fill the vacancy that will arise on the board with the departure of Mr del Álamo, the appointments and remuneration committee has deemed it advisable to incorporate a new independent director, for which it has carried out a selection process in which an external consultant with recognised standing has participated.

Taking into account the experience and knowledge deemed necessary and the commitment to gender diversity set out in the Director Selection Policy and to diversity in the composition of the board, at the beginning of the candidate selection process the Committee defined the profile of the ideal director to fill these vacancies and to complement and reinforce the profile of the existing directors, based on the competency matrix of the board of directors.

As a result of this selection process, the board of directors has presented with the proposal by the appointments and remuneration committee for the appointment of Ms María de la Paz Robina Rosat as an independent director of the Company for submission to the general meeting.

Ms María de la Paz Robina Rosat (whose CV is enclosed as [Annex II](#)) holds a degree in Chemistry from the University of Valladolid. She has spent her professional career in Michelin Spain and Portugal where she has been the first woman to hold each position she has taken on. The committee valued her proven experience in the industrial sector, especially in the area of managing factories and production sites, her positions of responsibility related to product quality and logistics, and her competences in the field of personnel management and training.

Based on her personal and professional qualities, which correspond to the profile established when the decision was made to initiate the selection process, the appointments and remuneration committee deems that Ms María de la Paz Robina Rosat possesses the necessary competences, experience, and merits that justify submitting to the board of directors for submission to the general meeting the proposal for her appointment as an independent director for the statutory period of three years.

## **6. SIZE AND COMPOSITION OF THE BOARD OF DIRECTORS AS A RESULT OF THE ABOVE PROPOSALS**

As a consequence of the above, in the event that the General Meeting approves the proposed decisions on appointments and re-elections, the Company's board of directors will be composed of 13 members, namely 1 executive director and 12 external directors, 5 of whom are independent. Independent directors thus represent 38% of the board, i.e. more than one third, in line with the Good Governance Code recommendation for mid-cap companies. In addition, the board will include 5 women, representing 38% of the total. In this way, Ence meets the target of female directors representing 30% of the board by 2021, which the Company had established in its director selection policy in accordance with the Good Governance Code recommendations for listed companies, thus demonstrating its firm commitment to gender diversity in the composition of the board.

## Annex I

### **CV of Ms Rosa María García Piñeiro**

Ms Rosa María García Piñeiro holds a degree in Industrial Engineering from the University of Vigo and a master's degree in Business Administration and Management from the University of Geneva, as well as a master's degree in Environmental Engineering from the EOI Business School. She has extensive experience in the industrial sector, with a remarkable focus on the environment and sustainability, and with an international vision. She has developed her professional career at Alcoa, where she has held positions such as Environmental Engineer, Internal Auditor of Environment, Occupational Safety and Health, Director of Occupational Safety and Health, Director of Government Affairs and Sustainability for Europe and Chairman of Alcoa Inespa, S.L. in Spain. She is currently the Alcoa Group's Global Sustainability Director and the Chairwoman of the Alcoa Foundation. She is also an independent Director on the Board of Directors of Acerinox, S.A.

## Annex II

### **CV of Ms María de la Paz Robina Rosat**

Ms Maria de la Paz Robina Rosat holds a degree in Chemistry from the University of Valladolid.

She has spent her entire professional career in Michelin Spain and Portugal where she has been the first woman to hold each position she has taken on. In February 1988 she joined Michelin Spain at the Vitoria factory, holding various positions of responsibility within the quality and manufacturing areas in the production of semi-finished products. In February 1993, she went to the Aranda de Duero factory and continued in the Quality and Industrialisation area where she was responsible for Quality Assurance in the manufacture of truck tyres. In June 2004, at the Valladolid headquarters, she became the head of Personnel Management, Training, and Administration for all of Michelin Spain and Portugal. From July 2009, for 7 years, she managed the truck tyre factory in Aranda de Duero. In August 2016, she took over the management of the Michelin Industrial Centre in Alava, one of the largest in the world, comprising 4 industrial activities in Vitoria and a logistics centre in Araia.

Currently, since March 2019, she has been the Human Resources Director, Managing Director, and Chairwoman of the Board of Directors of Michelin Spain Portugal S.A. She is also a member of the Board of Directors of Signus Ecovalor, the Executive Board of Consorcio del Caucho, and the Governing Board of the automotive cluster FACYL.