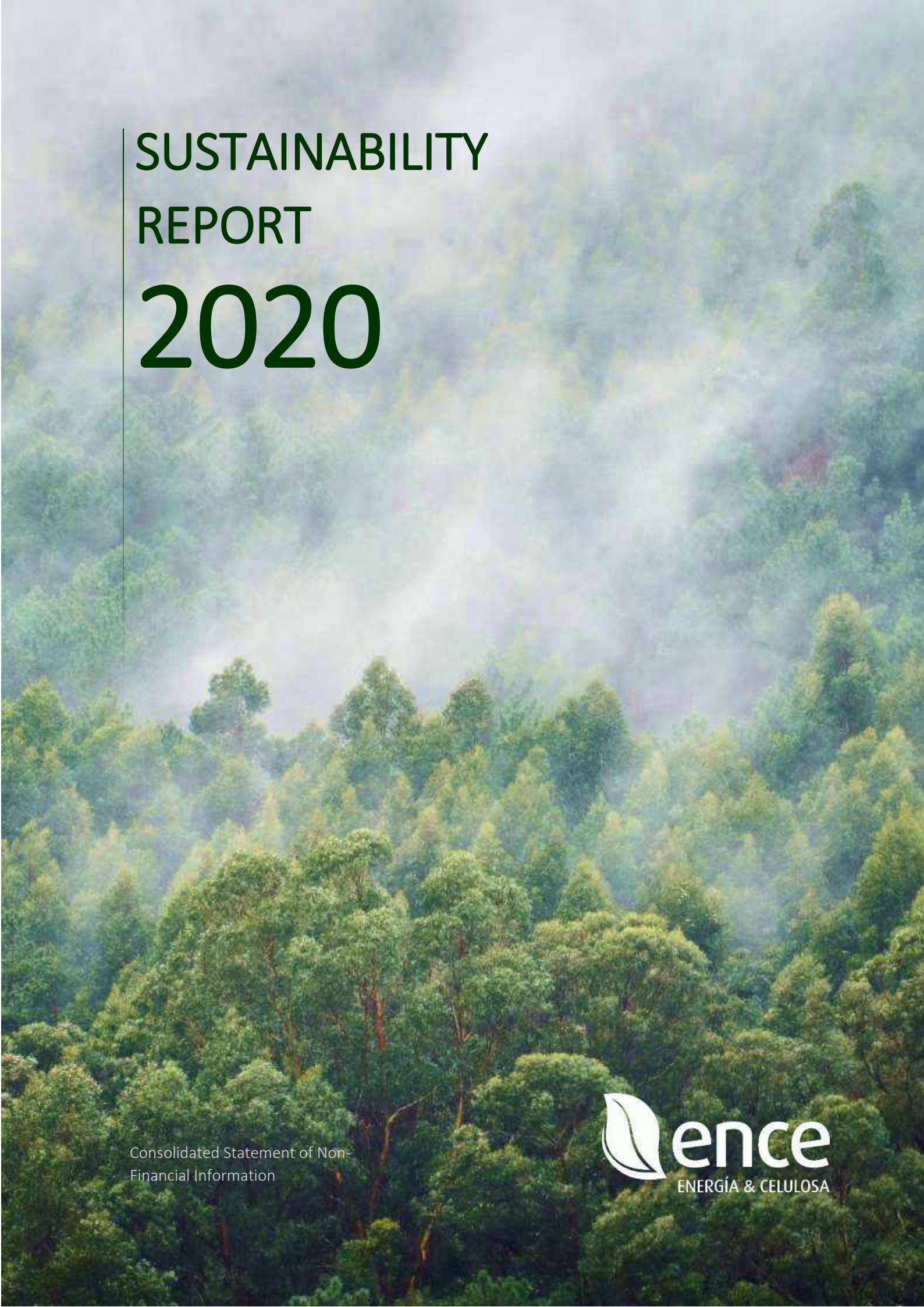
SUSTAINABILITY REPORT 2020



Consolidated Statement of Non-Financial Information

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ENERGÍA & CELULOSA

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Interview with the Chairman

GRI 102-14

2020 will undoubtedly be a difficult year to forget. What is your assessment of the financial year for Ence? How has the company advanced its strategic plan during a year like this?

The year 2020 has been a very challenging year, defined by COVID-19, which has affected all areas of our lives and tested our responsiveness and resilience. In a very short time, we had to adapt to the new situation imposed by the pandemic, including movement restrictions, difficulties in supply chains, global contraction in pulp demand and low energy prices.

But for Ence, the priority has always been clear. We have put the health and safety of the people who are part of the Ence family, our employees, our contractors, their families and everyone else involved in our activity first. That is why we have always applied the most effective and tested measures in the fight against the virus and were pioneers in implementing protocols to minimise the risk of contagion. Thanks to this early and decisive response, we have managed to maintain activity throughout the year, with no staffing adjustments and, above all, no contagions in our facilities. Ence has thus contributed to alleviating the economic crisis resulting from the pandemic, by helping to maintain employment and generating value for our supply chain.

Ignacio de Colmenares Brunet

Chairman of Ence

To cope with historically low pulp market prices and plummeting energy prices, we have focused on improving the efficiency and competitiveness of our plants. We have also made progress in bringing the Navia and Pontevedra biofactories up to speed following the expansion projects we completed in 2019, and we have started up the new power plants in Puertollano and Huelva. On the commercial side, we have consolidated Ence Advanced, our new brand of bioproducts, such as Naturcell and Powercell.

With regard to the Strategic Plan, in 2020 we continued with the roadmap set for the energy business by consolidating an important portfolio of biomass and solar projects to be developed in Andalusia and Castilla-La Mancha. One of the major milestones this year has been the addition of a minority partner to the energy business, which will help us boost this growth. W the pulp business, we have been cautious and, in view of market conditions, we have opted to continue with the processing and engineering of projects to diversify our bioproduct offering, postponing the investments envisaged in the Plan until prices improve, which had already begun to show signs of recovery by the end of 2020.

How has Ence dealt with the health crisis?

As I said, the priority for us has been to protect the health of the Ence family. For this reason, we have focused all our efforts on defining and implementing the necessary hygiene and sanitary measures to prevent contagion in our facilities in record time.

In this way we have also managed to maintain the company's activity, declared as essential regarding the cellulose products and energy supply to society. We were one of the first companies to anticipate the seriousness of the situation and, on 24 February, we established prevention protocols in all centres, protocols which included, among other measures, teleworking, restriction of visits to the plants, provision of surgical masks and disinfectant gel and continuous testing to identify possible asymptomatic cases among our own staff and contractors. At the end of 2020, the measures are still active and have been complemented by the implementation of the Covid Passport, a digital tool that automates the secure access of employees and contractors to workplaces. The protocols have always been implemented with the agreement of workers' representatives. Thanks to the implementation of these measures, Ence has also managed to accelerate its digital transformation, thus strengthening its cybersecurity systems and digitising processes such as the signing of timber purchase contracts.

Europe has made it clear that the post-crisis recovery must focus on building a more sustainable, digital and resilient future. What is Ence's role in this process?

At Ence, we applaud the approach with which the European Union has designed the Recovery Plan, it is what society and our responsibility to future generations demands. We are convinced that the stimulus package is a great opportunity to accelerate the transition to a more sustainable Europe and to boost activities that prioritise environmental care and commitment to the people.

This "green recovery" is perfectly aligned with Ence's purpose, therefore our company is in a privileged position to take advantage of this opportunity. At Ence, we have always believed that the future would be green, so we have focused our strategy on the sustainable use of natural resources to generate bioproducts and renewable energy, and we will be a key player in the recovery and promotion of the bioeconomy and of a just energy transition. The European Union's stance only confirms that ours was a winning bet and that this crisis, like so many others before it, will only accelerate the natural selection of companies and those that do not adapt to the new environment will find it difficult to compete.

In this regard, at Ence, as members of the Confederation of European Paper Industries (CEPI), we have signed up to and support the European Alliance for Green Recovery. As part of the pulp and paper sector, we have a strong commitment to driving environmental excellence, the bioeconomy and sustainable growth.

Following the decision of the Directorate General for the Sustainability of the Coast and the Sea last year to renounce the continued defence of the extension of Ence Pontevedra's concession in the case opened in the National Court, a ruling on the matter is still awaited. What is Ence's position on this issue?

The sudden change in the criterion of the Directorate General for the Sustainability of the Coast and the Sea to waive the defence of its own decision was, to say the least, surprising, as it was an arbitrary change in the criterion it had been maintaining throughout the proceedings at the Audiencia Nacional.

At Ence, we are using all legal means to defend the validity of the extension of the biofactory concession, whose renewal process scrupulously followed the procedure established by the Coastal Law in force. As of the end of 2020, we are still waiting for the Audiencia Nacional to rule on this matter.

In any case, it is important to point out that Ence's industrial activity is governed by the highest environmental standards. The parameters of our plants are amply better than those of the European environmental standards and authorisations, and proof of this is in the important shellfish beds located next to the Pontevedra biofactory, as well as the existence of seven beaches with the EU blue flag label in the vicinity. Moreover, according to recent studies, Pontevedra is in a prominent position compared to the other Spanish cities regarding air quality, ahead of other Galician cities such as Vigo, A Coruña or Ferrol. In fact, Ence Pontevedra's excellent environmental performance has received significant international recognition. In short, we consider that, from an environmental point of view, there are no grounds to justify any decision against the permanence of the biofactory in Pontevedra. What is more, the generation of employment and wealth for Pontevedra and Galicia in general is clear, which means that the premature closure of the facility would have a very negative social impact which

would be difficult to justify in a region already suffering from deindustrialisation and depopulation.

In the area of sustainability, i.e. the subject of this report, which aspects from the 2020 financial year would you highlight?

In 2020, Ence continued to progress according to the roadmap set out in the 2019-23 Sustainability Master Plan and, despite the difficulties brought about by the pandemic, we have achieved some very important milestones. On the people front, we have met the equality objectives we set for 2019-2020 and have managed to close 2020 with 9% more women in our workforce. In addition, we continue to make Ence a great place to work, improving in the climate index and achieving this year's Great Place to Work certification.

In terms of environmental performance, we continue to move towards the circular economy and we already have four plants with AENOR Zero Waste certification. In addition, we have managed to significantly reduce water consumption in our biofactories and keep environmental parameters well below the established limits.

In the agroforestry area, we have increased our northern heritage area with sustainable forestry certification by more than 8% and we have made progress in the implementation of our biomass sustainability decalogue.

In terms of our commitment to the community, in addition to maintaining our activity and the employment we generate, we have adapted our social plans to the situation and we have deepened our dialogue with our stakeholders through channels adapted to the new normal.

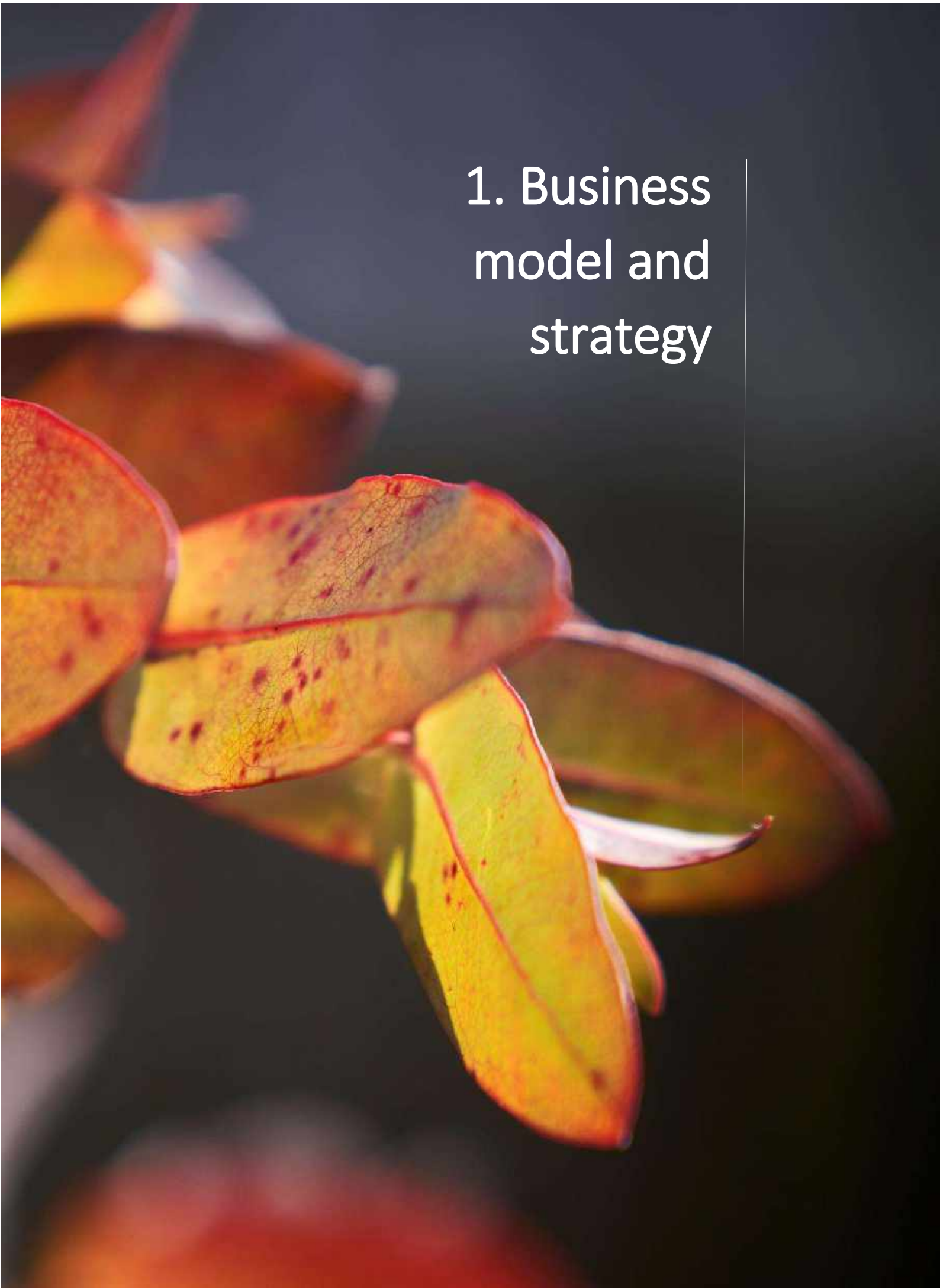
I would also highlight the project we have launched to systematically analyse the risks and opportunities of climate change, starting with the definition of scenarios and the creation of climate models for Ence's forestry and agricultural supply areas. The development of these tools will help us mitigate these risks and improve our resilience.

In 2020, Ence also reaffirmed its commitment to the United Nations Global Compact. At Ence, we support and promote the 10 principles established by the Global Compact relating to human rights, the environment, labour practices and anti-corruption, both in our own organisation and in our sphere of influence, and we report our progress openly and transparently in our annual sustainability reports.

In 2021, we will continue to work on the axes and lines of action set out in the plan so as to achieve the established objectives. These objectives, as well as the business ones, are strategic for Ence and that is why we include them in the performance evaluation and remuneration schemes of our management team.

For Ence, sustainability and competitiveness are concepts that go hand in hand; a sustainable company is also competitive in a market in which environmental, social and ethical issues are increasingly important. Aspects such as the sustainable management of resources, energy efficiency, care for people and a commitment to equality are levers of competitiveness and there is no doubt that commitment and good relations with neighbouring communities guarantee the social licence necessary to operate in the long term.

In doing so, we continue to promote not only the sustainability of our company, but also contribute towards achieving the Sustainable Development Goals of the 2030 Agenda and towards building a better future for all.



1. Business model and strategy

Ence at a glance

GRI 102-7

GRI 102-2

The purpose of Ence Energía y Celulosa consists of

Contributing to the development of society through the sustainable and responsible use of the natural resources available in our environment.

With this raison d'être, the company develops a business model based on the use of renewable natural resources for the generation of bioproducts and green energy.

This model is based on three independent but complementary business lines: pulp production, the generation of renewable energy (mainly from biomass) and sustainable forest management. Ence Energía y Celulosa is the European leader in the production of eucalyptus pulp, it is the first Spanish company to produce renewable energy with agricultural and forest biomass, and the leader in Spain in the integrated and responsible management of forest areas and crops. These three businesses complement each other perfectly:

Within Ence's assets, forestry **management** provides raw material for the other two business lines and serves as a benchmark for the introduction of best practices in Ence's supply chain, such as forestry certification or forestry techniques that boost efficiency and productivity.

The **pulp business** line is Ence's cornerstone, but it is constantly evolving to develop new generation bioproducts that respond to market trends, such as the substitution of petroleum-based materials.

Conversely, the **renewable energy** line provides the stability of a regulated business, which compensates for the cyclical nature of the pulp market and takes advantage of Ence's decades of experience in forestry logistics to develop models for the use of agroforestry resources scattered throughout the Spanish rural areas.

Responding to global challenges and contributing to the 2030 Agenda

In line with its purpose, with its activity, Ence contributes towards responding to major global challenges, such as climate change and the transition to a circular economic model, and to local challenges in the Spanish context, such as deindustrialisation and depopulation of the rural environment.

In this way, Ence supports the achievement of the Sustainable Development Goals (SDGs) of the UN's 2030 Agenda:

Objective	Ence's contribution	Impact indicator
	Ence contributes to the decarbonisation of the energy sector, by generating renewable energy in its biofactories and independent energy plants. The generation of energy with biomass also represents a fundamental element in the transition towards a decarbonised model, since it is a manageable technology, unlike other renewable technologies which depend on meteorological factors.	In 2020, Ence increased its installed capacity for biomass generation by 96 MW with its new plants in Huelva and Puertollano and has a portfolio of 405 MW of renewable generation projects with grid access and secured locations. Thanks to the renewable energy generated by Ence in 2020, the emission of around 677,000 t of CO_2 has been avoided.
	Ence promotes resilience and the capacity to adapt to climate-related risks by actively working in forestry R&D and providing clones adapted to new climatic conditions and to the pests and diseases that are enhanced by climate change. In addition, the forest areas from which Ence obtains timber contribute to absorbing CO2 from the atmosphere, thus mitigating the effects of climate change.	In 2020, Ence set Scope 1 and 2 emission reduction objectives and has begun work on modelling scenarios to analyse and manage the risks arising from climate change. According to ASPAPEL (2019), forest plantations for the paper industry in Spain store more than 46 million tonnes of CO2 equivalent.
	Ence contributes to the transition from a linear consumption model to a circular economy, its production processes are based on renewable raw materials and they minimise the disposal of waste in landfills. Ence also contributes to circularising other value chains, using agroforestry waste to generate energy	In 2020, Ence obtained AENOR Zero Waste certification for its biofactories and two of its independent power plants, and less than 2% of the waste

and thus reducing the environmental impacts derived from its uncontrolled disposal.

In addition, Ence promotes responsible consumption, since, by producing special cellulose, it offers alternatives to products such as plastics and other petroleum-derived materials.

generated by the company is sent to landfills.

Ence has also recovered almost 1.8 million tonnes of biomass for energy purposes.

Speciality products already account for 9% of Ence's total sales.

Ence contributes to the fight against depopulation and deindustrialisation of Spain’s rural world, as it is an important driver of job creation and development opportunities in the communities where it operates.

With its pulp production activity and through its timber supply chain, Ence contributes to generating employment and value for contractors, suppliers and forest owners in Spain. In addition, biomass power generation at Ence's plants supports inclusive industrialisation and a just energy transition, as it creates jobs along its value chain and offers alternatives for obsolete industrial sites.

In 2020, Ence purchased standing timber from 1,395 forest owners, 78% of whom were smallholders.

In 2020, Ence also commissioned the Puertollano biomass plant, which uses the land and part of the facilities of the former Elcogas coal plant and thus contributes to maintaining quality industrial employment in the town.

Ence contributes to the conservation and sustainable use of forest resources and protects the ecosystem services provided by forests. Ence also encourages responsible forest management, implementing sustainable forest certification in its assets and actively promoting it throughout its supply chain.

In addition, Ence contributes to the prevention of forest fires by promoting active forest management, fighting against forest abandonment and removing excess woodland biomass, thus reducing the risk of fire.

In 2020, more than 85% of the forest area managed by Ence had some form of FSC® (FSC-C099970) and PEFC™ or both sustainable forest certification. In addition, about 80% of the timber used in its biofactories was certified.

Ence devotes almost 23% of its assets (more than 14,800 ha) to the conservation of ecosystems.

Ence has made equality one of its strategic priorities. The company actively promotes the incorporation of women into its workforce, as well as their professional development and access to management positions.

Ence also condemns all types of discrimination, starting with the wage gap, and pursues full effective equality for women in the organisation, from selection processes to work-life balance.

Ence has closed the year 2020 with an increase of almost 9% in the female workforce presence as compared to 2019.-

71% of the recruitment of university graduates under 30 years of age in individual contract staff have been women.

Ence thus also contributes to several elements of the European Green Pact announced at the end of 2019. This Pact articulates Europe's commitment to respond to climate and environmental challenges and constitutes a new growth strategy aimed at transforming the EU into an equitable and prosperous society, with a resource-efficient, competitive and decarbonised economy.

The Pact also aims to protect the Union's natural capital and the health of citizens facing environmental impacts, and focuses on a just and inclusive transition.

In this context, Ence contributes in particular to the objectives of climate ambition, the supply of clean, affordable and secure energy, the mobilisation for a clean and circular economy, the reduction of pollution and the preservation of biodiversity.

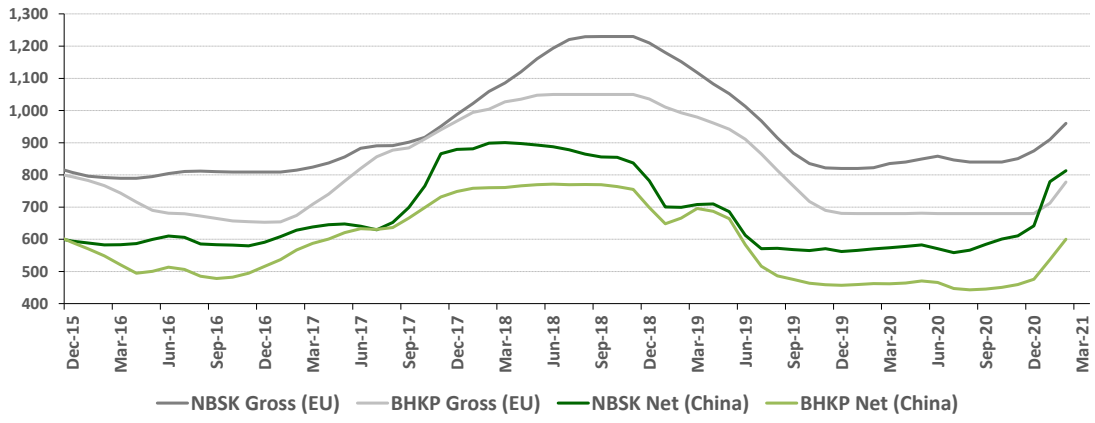
2020 Performance

Ence's results in 2020 were marked by the international spread of COVID-19 and the low pulp and electricity prices, which were partially offset by the operational improvement achieved in both businesses following the Strategic Plan investments made in 2019. In December 2020, Ence also sold a minority stake of its subsidiary Ence Energía, as well as its 50 MW solar thermal plant in Puertollano, Ciudad Real, adding value to its Renewable Energy business and strengthening its balance sheet.

All of Ence's activities, from pulp production and forestry operations to renewable energy generation, have been considered essential in Spain, according to Royal Decree 463/2020 of 14 March. The rigorous application and continuous updating of Ence's internal protocols for the prevention and minimisation of COVID-19 risks for the Group's people and operations have enabled it to continue operating during the spread and subsequent outbreaks of the virus, thus maintaining full activity and employment.

Pulp sales grew by 11.5% in 2020, thus reaching a new annual high of more than one million tonnes following the capacity expansion of the Navia biofactory at the end of 2019. Europe is the main destination of the pulp produced by Ence, accounting for 92% of pulp sales revenue in 2020. The tissue paper segment continued to be the main end-use for the fibre sold by Ence, accounting for 59% of pulp sales revenue in 2020, followed by the speciality segment, with 26%. The printing and writing segment accounted for 8% of it, and packaging for the remaining 7%. Ence's differentiated products, such as Naturcell and Powercell, which are more sustainable and better adapted to replace long fibre, accounted for 9% of sales in 2020. In addition, the unit production cost (cash cost) decreased by 6% in 2020, to €367/t in the fourth quarter, and averaged €374/t for the year as a whole.

Despite this operational improvement, the Pulp business EBITDA was €13.9 MM in 2020, which was 82% lower than in 2019 as a result of the 23% drop in the average selling price.



The sudden inventory drawdown in the paper industry at the end of 2018 pushed the pulp price to a 10-year low at the end of 2019, where it remained for a year, before recovering rapidly at the end of 2020.

Pulp demand increased by 3% in 2020 (an equivalent to 1.9 million tonnes) driven by the strength of tissue paper demand, inventory recovery in the paper industry and the displacement of less efficient integrated capacity, which offset the drop in demand for printing and writing papers as a result of COVID-19. China accounts for about 40% of the global pulp market, with demand growing by +8% in 2020.

Conversely, renewable energy sales grew 36% year-on-year in the year, thanks to the incorporation at the end of the first quarter of two new agricultural and forestry biomass plants, a 46 MW plant in Huelva and a 50 MW plant in Ciudad Real. As a result, the EBITDA of the renewable energy business reached €59.7 MM in 2020, a year-on-year growth of 15% thanks to the contribution of the new plants.

In December 2020, Ence completed the sale of a 49% minority stake in Ence Energía to the infrastructure fund Ancala Partners for up to €357 MM. Of this amount, €223 MM were collected at the closing of the transaction and the additional collection of up to €134 MM is linked to the successful development of the biomass renewable energy project portfolio, to the price achieved in the auctions, to the cash distributed by the business over the next eight years and to its valuation at the end of that period. In December 2020, Ence also completed the sale of its 90% stake in the Puertollano solar thermal plant for €82 MM and deconsolidated a net debt of €75 MM, which was assumed by the buyer of the plant.

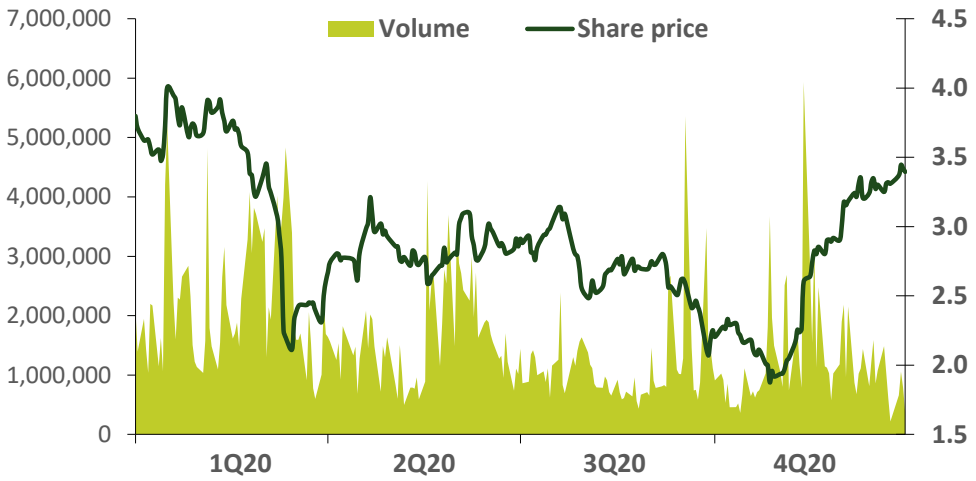
With these operations, the Group's net financial debt was reduced by €335 MM in 2020, to €178 MM, of which €43 MM correspond to the Pulp business and €135 MM to the Renewable Energy business. The cash available on the balance sheet at the end of the year amounted to €542 MM.

Ence wants to be a benchmark in the bioeconomy development in Spain, boosting its growth in renewables and resuming the investments planned in its Strategic Plan for the pulp business, once the pandemic is over and with the expected recovery of pulp prices. In order to boost its growth in renewables, Ence has a portfolio of 405 MW of mature projects that will be ready to start construction by the end of 2021, which would mean a 2.5-fold increase in its current installed capacity. In addition, in 2021, Ence obtained the grid connection permit for another 100 MW of photovoltaic power.

Lastly, Ence continues to defend the legality of the extension of its concession in Pontevedra at the Spanish Audiencia Nacional, concession which was granted until 2073. A first resolution is expected in the coming months. The judicial process could take around 4 years, including appeals to the highest courts.

Share price

Ence's share capital is made up of 246,272,500 shares with a par value of €0.90 each, represented by book entries and with the same political and economic rights. The Company's shares have been listed on the Spanish stock exchanges and on the Continuous Market since its full privatisation in 2001 and are part of the Ibex Medium Cap. Ence's share price at 31 December 2020 was €3.40/share; a decrease of 7.5% compared to the share price at 31 December 2019. In the same period, the sector's share prices fell by 9.1%, affected by low pulp prices and the consequences of the international spread of COVID-19 and the containment measures taken by the various countries.



Source: Bloomberg

SHARES	1Q20	2Q20	3Q20	4Q20
Share price at the end of the period	2.50	2.91	2.19	3.40
Market capitalization at the end of the period	615.7	717.6	539.8	836.1
Ence quarterly evolution	(31.9%)	16.6%	(24.8%)	54.9%
Daily average volume (shares)	2,288,921	1,677,385	1,149,625	1,272,577
Peers quarterly evolution *	(25.3%)	3.3%	0.6%	32.2%

(*) Altri, Navigator, Suzano, CMPC and Canfor Pulp

Generated and distributed economic value

GRI 201-1

Ence's activity proves to be an important focus of value generation for society in general and for the areas where it operates in particular. Specifically, the value generated by Ence in 2020 amounted to 718.9 million Euros. Most of the direct economic value generated by the company is distributed among its stakeholders, including suppliers and other Ence supply chain components. It is also worth noting the value distributed to the company's employees, with over 75 million euros in 2020, and to public administrations, which was more than 46 million euros. The figures for economic value generated, distributed and retained by the company in the reporting period and in the previous year are detailed below:

Thousands of €	2020	2019
Direct economic value generated	718,866	737,281
Economic value distributed	713,777	690,309
Operating costs	563,808	536,941
Salaries and welfare plans for employees	75,253	75,844
Payments to capital providers and shareholders	23,416	44,549
Payments to governments (taxes, fees, fines)	47,601	32,360
Investments in the community	3699	615
Retained economic value	5089	46,972

Reaction to COVID-19

In a year defined by the health, economic and social crisis caused by the COVID-19 pandemic, Ence has focused its efforts on maintaining activity and employment, by protecting the health of its employees and collaborators at all times.

Thanks to its early and decisive response to COVID-19, Ence made it through 2020 without having to interrupt the activity of any of its operations and, more importantly, without any regrettable contagions taking place in its workplaces, among its employees.

Impact of the pandemic on Ence's business model

Although all Ence's activities were declared essential according to RD 463/2020 approved on 14 March and the company was able to operate throughout the year without interruption, the pandemic has had significant impacts on the business throughout 2020.

However, its effects are expected to be mainly focused on the short to medium term, as evidenced by the first signs of recovery already evident at the end of the year.

The following is a breakdown of the main impacts faced by the company in 2020.

Like the vast majority of productive sectors, the COVID-19 crisis has significantly affected the pulp industry and the energy sector. In the case of the **paper sector**, the fall in demand for certain segments (such as printing and writing paper) caused by containment measures and the adoption of teleworking in many markets has weighed on pulp prices, which were already at a 10-year low. Conversely, movement restrictions have made visits to customer sites very difficult, so that the roll-out of new special products, such as Naturcell or Powercell, could not be carried out according to schedule. Despite this, positive signs have started to emerge towards the end of the year, such as a growth in pulp demand which was higher than initially expected and an improvement in prices in the last months of 2020.

In the case of the energy business, Ence has also suffered from the fall in electricity prices, which have been at their regulatory minimum for much of the year. This situation has weighed down the results of the energy segment, which have fallen short of the targets set despite the successful start-up of the two new plants (Huelva 46 and Puertollano 50).

At the operational level, in the first months of the year, the pandemic and the difficulties in receiving technical assistance from technologists complicated the start-up of the new plants in Huelva and Puertollano, and lengthened the start-up ramps in Pontevedra and Navia.

In this context, Ence is committed to accelerating its plan to improve operating results, reducing cash costs while increasing sales of both pulp and energy. These improvements, together with the corporate operations completed at the end of the year, have enabled Ence to end the year with a strengthened balance sheet that paves the way for growth both in new energy projects and in the Dissolving and Fluff projects at the Navia biofactory. More information on the impacts of the pandemic can be found in Note 7 of the company's annual accounts.

Pandemic measures

The primary objective of the measures implemented was to protect the health of workers and the entire "Ence family", which is why actions have been designed to target contractors and company collaborators as well.

Ence was one of the pioneering organisations in the sector and in the Spanish industrial sphere that anticipated the magnitude of the crisis, analysing the risks derived from it and implementing preventive measures early on. Thus, Ence implemented the first series of measures on 24 February, three weeks before the first state of emergency was declared in Spain on 14 March, which led to the confinement of the population.

Thus, before the most virulent outbreak of COVID-19 in Spain, Ence had already developed a robust action plan to prevent contagion which included preventive measures in different areas.

Throughout the year, with the advice of external epidemiological experts, Ence's health and safety teams have followed the evolution of the pandemic, by adapting the company's response and incorporating the latest health and technological advances to protect Ence’s staff and its ancillary companies. The initiatives have focused on the following five areas:

Organisation

Dynamic and updated **General Covid-19 Prevention Protocol** establishing how to carry out all Ence activities safely.

Teleworking adapted to each position, with the aim of reducing the risk of contagion.

Specific protocol for the management of technical shutdowns for maintenance, through the detection of asymptomatic people and distribution in "bubble" work groups.

Development of the prevention plan

- Mandatory use of **face masks**
- Regular **sanitisation and desinfectation**
- 2-m mínimum **safety distance**
- Indoor **ventilation**
- Office **occupancy limits** and **physical barriers** between workstations
- Regular **auditing**

Communication, training and information

Awareness of the situation and safety measures have been promoted among Ence personnel, **making available each version of the protocol** and instructing internal and external personnel by means of **training videos**.

Broadcasts have been made on information access points, screens and on our internal website in regard to the**prevention criteria**; **one-point lessons** (OPL) have also been provided, as well as **safety contacts** on the matter of Covid.

Health management

Systematic early detection and isolation of asymptomatic people through the following initiatives:

- Monitoring of **body temperature**
- Regular antibody and infection **testing**
- Dissemination of **symptoms** for possible detection
- **Tracker** group
- **Surveys** for potential risk exposure
- **"Covid Passport"** app for access control

Emergency management plan

It defines the **assistance, isolation and health monitoring criteria** for any worker who has contracted or been exposed to the virus, until the disease has been overcome and there is **no longer a risk of contagion**.

A **Protocol has also been developed for the management of recurrences**, for the purpose of adequately managing these events during periods of low incidence.

Organisation

At the organisational level, the key measure around which Ence's response has hinged has been the design and implementation of the General Prevention Protocol for COVID-19.

This strategic document describes the actions to be taken to protect the organisation against the virus and has been revised more than 25 times during the year, always adapting it to the

latest advances in terms of knowledge, materials and technology in the fight against the pandemic.

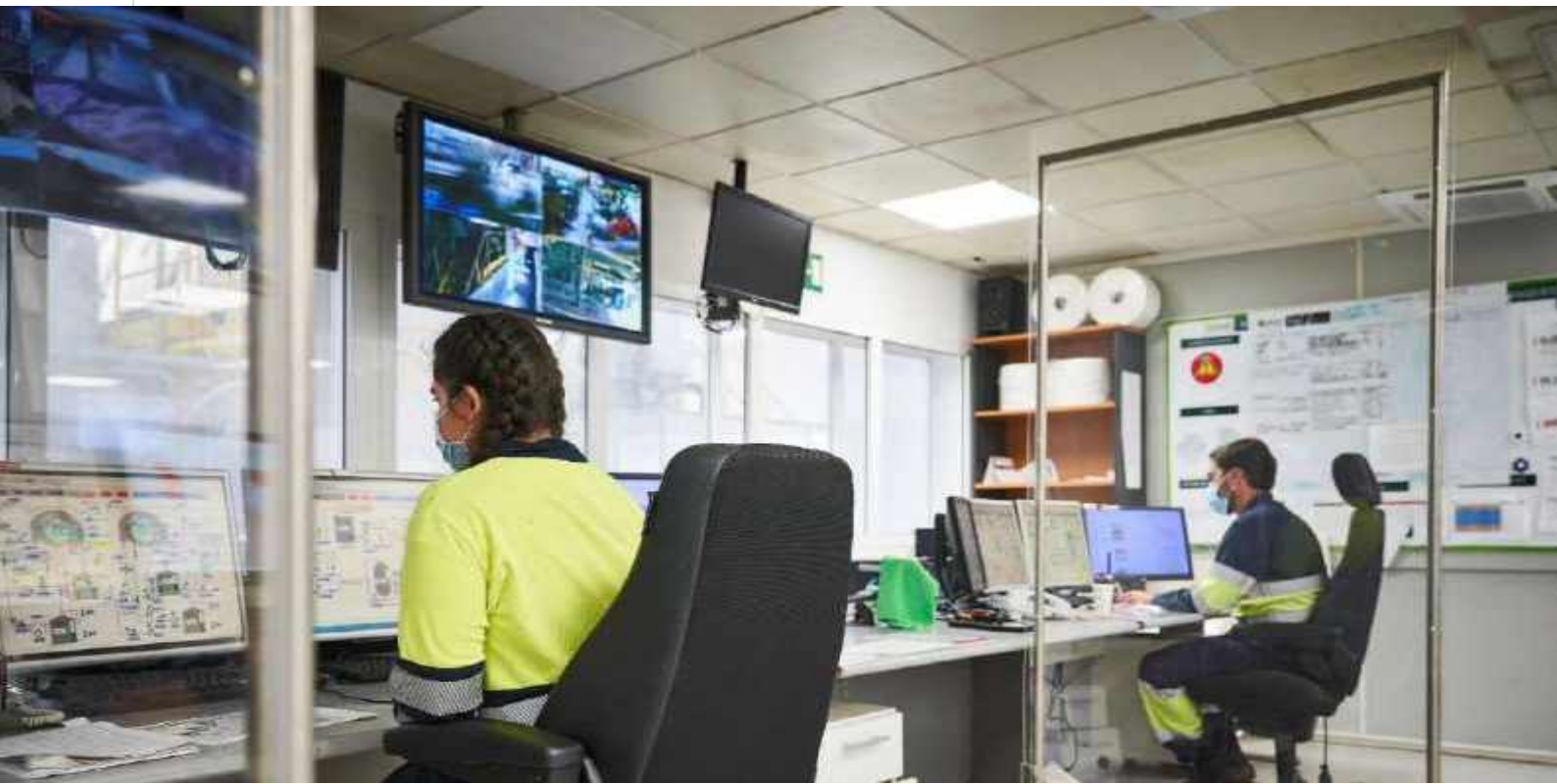
The document defines safe procedure in regard to:

- ✓ Meeting management
- ✓ Shift changes
- ✓ Use of changing rooms
- ✓ Business travel
- ✓ Hotel stays
- ✓ Visits to the centres
- ✓ Management of COVID-19 protection in ancillary companies
- ✓ Workplace access management
- ✓ Meals during work hours and vending machines
- ✓ Delivery of goods, mail, materials, etc.

Another of the most important organisational measures adopted during the pandemic period has been the promotion of teleworking, adapting its duration to the type of post.

During peak times, up to 538 people teleworked or worked in a mixed format, 47% of Ence's workforce.

Standby shifts (in bubbles) were also put in place to maintain the centre operation while minimising the risk of contagion.



In order to cover the teleworking situation and reinforce cybersecurity, Ence has carried out the following information security measures (for more details, see the Cybersecurity section on p. 66)

- Development of cybersecurity plan in collaboration with IBM
- Implementation of awareness-raising and in-house training actions
- Cybersecurity action protocol
- Phishing simulations and its related awareness-raising actions
- Update of advanced device protection systems
- Update and implementation of advanced server protection systems
- Implementation of an advanced email protection system
- Review of all system administration accounts
- Update of backup systems with greater protection against possible cyber-attacks.
- Purchase of cyber insurance for coverage of any cyber-security incidents
- Collaboration agreement with INCIBE (Instituto Nacional de Ciberseguridad or National Cybersecurity Institute) for monitoring, early warning, training and support in the event of cyber-attacks
- Review and update of Internal Security Regulations and Procedures
- Creation of the Cybersecurity Committee

Ence has also developed a specific protocol for the management of technical maintenance stops, to manage protection at times of high influx of external personnel to the centres. The key elements of this protocol are the screening of asymptomatic people by means of tests prior to accessing the centre, and the use of the COVID-19 bubble concept to divide work teams and prevent them from sharing space, tools, managers, changing rooms or canteens.

Development of the prevention plan

The General Prevention Protocol also covers the main preventive measures implemented in the centres, so that all workers can carry out their work safely. They include:

- Mandatory use of approved surgical masks (or higher protection masks, depending on the position) during the stay in the workplace. These masks are provided by Ence to all workers (in-house and external) at the start of the day.
- Periodic guidelines for the sanitisation and disinfection of people, equipment, uniforms, tools, and areas of passage or stay. It includes the provision of the necessary hygiene materials and the adequate sizing of the cleaning services.
- Compliance with the minimum safety distance of 2 metres at all times, and continuous monitoring by the chain of command of compliance with this preventive measure.
- Proximity work assessments, (less than 2m) so that said work can be carried out safely when there is no viable alternative, and definition of greater safety distances for activities involving moderate (5m) or intense (10m) physical effort.
- Ventilation of offices, common rooms and work premises, prioritising natural ventilation, at least 15 minutes every hour, or in the case of ventilation systems with

forced extraction, continuous air renewal in accordance with the technical criteria of the Manufacturers' Association.

- Limiting the occupation of offices, changing rooms and offices, according to technical criteria, and placing physical separation barriers between workstations if necessary.
- Implementation of a periodic audit system, involving the entire chain of command of the organisation, to ensure the supervision of compliance with all these criteria, as well as to identify potential opportunities for improvement, which are duly followed up until their implementation.

Communication, Training and Information

Ence has placed particular emphasis on ensuring that everyone working at its sites understands, shares and complies with the protection measures in the protocols. It has also ensured that these are coordinated and open to suggestions from the Works Councils, and that anyone who works in or for Ence can, on an individual basis, submit their suggestions for improvement through the channels set up for this purpose.

The main communication, training and information initiatives have been:

- Cascade deployment on the part of the chain of command of each new version of the protocols
- Broadcast of the main preventive criteria with information points, on screens and intranet with animated summaries
- One Point Lessons (OPL) are disseminated on a regular basis, focusing on the main measures of the prevention strategy
- Dissemination of safety contacts for COVID-19 at the different team meetings
- Mandatory knowledge pills (including a test at the end) for our own staff (through the AUNA platform) and external staff (through the CTAIMA platform)

Health management

Since the beginning of the pandemic, Ence has developed a robust system of early detection and isolation of asymptomatic positives to avoid sources of contagion. The detection system comprises the following measures:

- Body temperature monitoring of all personnel before entering the workplace
- Testing protocol: throughout 2020, Ence has used the most sensitive and accurate tests available at any given time (rapid antibody test, PCR, ELISA and antigen test) to periodically diagnose both its own staff and external personnel, in order to identify and preventively isolate asymptomatic positives. This protocol is a living document that has been revised 7 times during the year to keep up with the latest developments in infection detection systems.
- Symptom response measures: Ence, in its general protocol, explains which symptoms are compatible with a COVID-19 infection, and how to act when symptoms occur in both the workplace and at home.
- Definition of measures to be taken for sensitive workers (according to the criteria defined by the Ministry of Health), workers living with at-risk personnel and personnel who have been in contact with a suspected and/or confirmed case of COVID-19.
- Surveys for both our own and external employees, verified by medical staff, so as to identify whether they have been exposed to at risk contacts.
- A tracer group has also been officially formed and appointed, which makes the necessary enquiries in order to identify its close first and second level contacts in advance in case of a confirmed or suspected positive.

In support of the measures mentioned above, Ence has developed and implemented an innovative digital tool called the **Covid Passport**, by means of which it manages the access of any person (own employee, contractor or visitor) to its work centres.

The passport is fed by two inputs: the result of periodic tests and the response to surveys for the tracking of at risk contacts.

When the test is negative and the survey does not detect any at risk contacts, the worker's passport will be green and the automatic access control will allow access to the workplace. If the test is pending, but the survey is done and OK, the passport will be orange, and the access control will only allow access to the medical service, and if the COVID-19 test and/or the close contact survey has not been passed successfully, the passport will be red and access to the workplace will not be allowed until the worker is able to work without posing a risk to the rest of the colleagues.

Emergency management plan.

The general COVID-19 management protocol describes how to deal with a confirmed or suspected positive case, both when the case is detected in the workplace and outside the workplace

From the first moment, criteria are defined for assistance, isolation and control of the worker's health, until it is ensured that the illness has been successfully overcome and there is no risk of potential contagion for third parties.

On the other hand, the tracking team identifies the primary and secondary close contacts of the infected person, so that they can be medically monitored to ensure that they have not been infected or, if they have been, that they have already successfully overcome the disease.

The centres' general emergency plans have been complemented by COVID-19 emergency management strategies, developed in their specific protocols.

Ence has also developed a Protocol for the management of outbreaks which defines the measures to be taken to manage outbreak events during periods of low pandemic incidence.

Throughout the year, Ence has allocated nearly 9 million euros to implementing these measures, and will continue to invest in protecting the health of the people who work for the company until the pandemic is under control.

Commitment to sustainability

For Ence, sustainability is inherent to the company's Purpose:

Contribute to the development of society through the sustainable and responsible use of the natural resources available in our environment

Therefore, excellence in sustainability is one of Ence's strategic priorities, as reflected in its 2019-2023 Strategic Plan. This commitment to sustainability has been translated into a robust governance framework of the highest level and into strategic planning of sustainability actions.

Policies and governing bodies

Ence's Sustainability Policy, approved by the Board of Directors in 2018, determines the company's general principles of action to help improve people's well-being, ensure the environmental sustainability of its operations, promote the socio-economic development of the communities in which it operates and create long-term value for all its stakeholders. In addition to this Policy, Ence has established other rules regulating more specific aspects related to sustainable management, such as the Diversity and Equal Opportunities Policy and the Purchasing Policy.

Ence's commitment to sustainability has also led the company to create a **specific Sustainability Committee** on the Board of Directors in 2018, with the participation of directors who are experts in the management of ESG aspects. The main functions of this committee are to monitor Ence's sustainability strategy and supervise relations with the company's stakeholders, among others. Details of the dynamics and functions of the sustainability committee are described in the Ence Board Regulations.

The committee meets at least once every quarter and in 2020 it has held a total of 6 meetings.

In addition to the committee, at the executive level Ence has a **Sustainability Committee**, chaired by the CEO and made up of the General Managers and those responsible for sustainability in the different areas. This committee is the body responsible for, among other functions, drawing up and reaching a consensus on the sustainability strategy, proposing objectives, monitoring plans and actions, organising the reporting of non-financial information and establishing channels for relations with Ence's stakeholders.

Ence also has a **Sustainability Department** which reports directly to the company's Chairman and coordinates the implementation of the sustainability strategy at corporate level, as well as the reporting of ESG information to analysts, investors, customers and other stakeholders.

In order to align the management team with this commitment, sustainability objectives are monitored monthly by the Management Committee and the Board of Directors and are also included in the long-term variable remuneration system (LTR), for the company's management team, as well as in the annual variable remuneration. In this way, all of Ence's directors and middle managers have objectives linked to environmental, safety, equality, community relations or supply chain sustainability aspects included in their incentives.

Ence is also committed to raising the awareness of the entire team to integrate sustainability into the day-to-day operation. Because of this, the company has launched an ambitious training programme at all levels and, in 2020, 926 people received training through online knowledge pills and 348 people have participated in face-to-face training sessions.

Ence's strategic commitment to sustainability is reflected in the incorporation of ESG aspects in the variable remuneration schemes of its managers: 25% of the management team's Long-Term Incentive depends on these variables.

Relationship with stakeholders

GRI 102-40, GRI 102-42, GRI 102-43, GRI 102-44

Ence's main stakeholders, as identified in its Sustainability Policy, are as follows:

- ✓ Shareholders and investors
- ✓ Contributors
- ✓ Customers
- ✓ Partners and suppliers
- ✓ Forest owners
- ✓ Public administrations and regulatory bodies
- ✓ Community and environment
- ✓ Groups of influence (analysts, media, NGOs, etc.)

Ence maintains a fluid and proactive dialogue with all of them and establishes mechanisms to gather their opinions and incorporate their expectations into its strategic sustainability planning.

2019-2023 Materiality analysis and Sustainability Master Plan

GRI 102-47

To establish its sustainability priorities, Ence started with a materiality analysis carried out in 2019, in which the most relevant aspects for its stakeholders and for the company itself were identified. The analysis was conducted with a long-term approach, for a period of five years (2019-2023), the same projected timeframe as the company's strategic plan and sustainability master plan

Although the analysis has this long-term focus, Ence reviews it annually, based on the results of the stakeholder dialogue exercises carried out by the company with different groups. In this way, the company always keeps its materiality matrix up to date.

To be specific, in 2020, perception studies (interviews and focus groups) were carried out with stakeholders in Ence's agroforestry supply chain, from landowners to administrations, including supply and harvesting companies. Meetings were also organised with neighbourhood associations and other groups in the areas surrounding the pulp mills.

In these dialogue exercises with neighbours, the main aspects commented on by Ence's stakeholders have been in connection with the environmental impacts of the biofactories on the surrounding communities, especially those which have the greatest impact on neighbours, such as the odour and acoustic impacts. In the case of Ence's supply chain stakeholders, the main aspects addressed are Ence's role as a solution to the management of agricultural and forestry waste, the sustainability criteria that Ence requires through its biomass decalogue and the generation of value for local companies throughout its value chain.

The information requests submitted by ESG analysts and investors and Ence's customers throughout the year were also analysed. This information has been complemented by a benchmark analysis of environmental parameters of comparable pulp and energy plants and of the sustainability priorities of benchmark companies in the paper, forestry and energy sectors.

The results of these analyses have confirmed the priorities identified in 2019, which are set out in the following matrix:

The most relevant aspects for both Ence and its stakeholders are the **relationship with local communities and the social licence to operate, the reduction of noise, odour and other impacts, the protection of the environment and biodiversity, the sustainability of the forestry sector, occupational health and safety, water management and the responsible supply chain**.

The material aspects identified are the basis for building the company's sustainability strategy and they determine the focus of the information that Ence makes available to its stakeholders in this Non-Financial Information Statement.

The sections of this report that address the material aspects identified are detailed below:

Material aspect	Section of the report which deals with it
The relationship with local communities and social licence to operate	Ence and the communities
Reduction of odour, noise and other impacts	Safe and eco-efficient operations
Protection of the environment and of biodiversity	Safe and eco-efficient operations / Rural and agroforestry development
Sustainability of the forestry sector	Rural and agroforestry development
Occupational health and safety	Safe and eco-efficient operations
Water management	Safe and eco-efficient operations
Responsible supply chain	Rural and agroforestry development
Waste management and circular economy	Safe and eco-efficient operations
Corporate governance, ethics and compliance	Responsible government
Business model, performance and competitiveness	Business model and strategy
Regulatory and tax environment	Business model / Responsible governance
Efficiency	Safe and eco-efficient operations
Rural development	Rural and agroforestry development
Products with sustainability attributes	Sustainable products

Material aspect	Section of the report which deals with it
Climate change	Climate action
Customer satisfaction	Sustainable products
Talent management	Ence people and values
Job creation	Ence people and values / Ence with the community
Sustainable materials and product safety	Sustainable products
Diversity and equal opportunities	Ence people and values
R&D investment	Innovation and digitalisation
Digitisation	Innovation and digitalisation
Data protection	Innovation and digitalisation
Human Rights	Responsible government / Rural and agroforestry development

Based on these priorities, Ence has defined its 2019-2023 Sustainability Master Plan, thus setting the main lines of action, objectives and priority lines of action for this period. This plan was approved by Ence's Board of Directors in 2019.

In 2020, a new line of action, focused on Climate Action, was added to the original Plan. Thus, the Plan is structured into 7 axes, with which Ence not only responds to the material aspects identified, but also contributes to the sustainable development goals and targets of the 2030 Agenda.

SAFE AND ECO-EFFICIENT OPERATIONS

To develop the company's activity in a safe and exemplary manner regarding environmental matters, pursuant to the best market standards.

0 accidents

100% plants adapted to best environmental practices pursuant to BREF guidelines

CLIMATE ACTION

To contribute to climate change mitigation and adaptation through Ence's activity, by analysing and managing the risks and opportunities arising from climate change.

-25% Scope 1+2 specific GHG emissions in the pulp segment in 2025

- Climate scenario analysis for sites and supply areas according to TCFD recommendations

SUSTAINABLE AGROFORESTRY MANAGEMENT

To promote responsible management in the forestry and agricultural sector as a lever for sustainable socio-economic development and for settling the population to the territory.

100% of agroforestry resources with a guarantee of sustainable management

100% local agricultural and forestry supplies, with guaranteed traceability

SUSTAINABLE PRODUCT

To identify and develop the sustainability attributes of Ence's pulp products as a value generation lever.

Development of differentiated products
with sustainability attributes that add value to society

COMMITMENT TO THE COMMUNITIES

To improve social appreciation to obtain and retain the *social licence to operate* based on a proactive and transparent approach to the surrounding communities.

100% of the communities with relationship plans

PEOPLE AND VALUES

To promote the alignment of people with Ence's values and its commitment to sustainability, and to promote equality and talent and improve the organisational climate.

100% compliance with equality plans

100% of the workforce trained in sustainability

- Fulfilment of the development and talent recruitment objectives of the Strategic People Plan.

GOOD CORPORATE GOVERNANCE

To develop a strong corporate governance with a long-term vision.

- Maintain Ence's Corporate Governance System up to date.
- Incorporate best practices in good corporate governance.

For each of the axes, lines of action are deployed and specific annual objectives are set, in order to ensure the fulfilment of the objectives established for the plan's period of validity (2019-2023). The annual objectives are monitored monthly both at the level of the Management Committee and by the Board of Directors.

The level of compliance with the main objectives set for 2020 and the main objectives set for 2021 are summarised below (including those objectives which are considered to be strategic or to have the greatest impact on stakeholders):

MONITORING OF THE SUSTAINABILITY MASTER PLAN			
Area/line of action	2020 Objective	2020 Performance	2021 Objective
Area 1: Safe and eco-efficient operations			
Adaptation of the plants' IEA to the Best Available Techniques	Adapted IEAs	🟢	-
Reduction of particle emissions in biofactories and independent power plants	values depending on the installation	🟡	Values depending on the installation
Reduction of water consumption in biofactories and independent power plants	5% in Pontevedra and 10% in Navia	🟢	Reaching 28.2 m3/tad in Navia and 28 in Pontevedra
0 Waste certification	Navia and Pontevedra	🟢	La Loma, Enemansa, Huelva and Mérida
Reducing the odour impact of biofactories	20% in Navia and Pontevedra	🟡	20% in Pontevedra, 5% in Navia
Reducing the accident rate (AFR and ASR) in all the lines of business both for own personnel and for subcontractors.	Objectives depending on the area (energy, pulp, forestry)	🔴	Objectives depending on the area (energy, pulp, forestry)
Area 2: Climate action			
GHG emission reduction	Developed plan and setting of objectives	🟢	15% reduction in scope 1 and 2 vs. base year in pulp unit
Area 3: Rural and agroforestry development			
Timber with sustainability certification	5% timber with own sustainability certificate	🟡	75% of double FSC® and PEFC™ certification timber entries
Compliance (regulatory compliance) in terms of timber	100%	🟢	100%
FSC® certified asset area	increase by 9%	🟢	reach 90%
Biomass with sustainability certificate	Achieve 65% compliance with the Decalogue indications.	🟢	Achieve 75% compliance with the Decalogue indications.
Approval of suppliers	100% from approved timber and biomass suppliers	🟢	100% timber and biomass suppliers and service companies

Area 4: Sustainable product			
Updating the sustainability attributes of pulp products	Sales of products with sustainability attributes	●	Update Pontevedra DAP products and extend to Encell ECF (Navia)
Area 5: Ence and the communities			
Visits to biofactories and independent power plants	No. of visits depending on the capacity of the installation *	●	600 online visits (Navia, Pontevedra and Huelva)
No. of beneficiaries of Social Plan and Navia and Huelva agreements	-	-	16000 benefitted people
Reducing the number of complaints	Reduce by 10%	●	Reduce by 10%
Area 6: Ence people and values			
Training in sustainability and equality	2020 programme delivered	●	2021 programme delivered
Fulfilment of equality objectives	2019-2020 Objectives	●	2021 Objectives
Improvement of the organisational climate	Improvement of Trust index	●	Improvement of trust index
Area 7: Good Corporate Governance			
Drafting and approval of new corporate policies	4 Policies	●	3 Policies

ESG assessments

As part of its commitment to transparency towards investors and other stakeholders, Ence actively participates in performance evaluations in environmental, social and governance aspects carried out by recognised independent bodies.

Thus, Ence's performance in ESG aspects is assessed, for example, by the Sustainalytics agency, one of the leading analysts in this field. In 2020, Ence's total ESG score reached 82 points out of 100, adding 11 points to the previous assessment and placing it in a leading position in the sector. Out of all the aspects assessed, Ence stands out in the social dimension in particular, with a total score of 91 points.

Ence has also received the ESG Rating assessment from MSCI, another major international rating agency. In the 2020 financial year, the rating has been upgraded from 'A' to 'AA'.

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Moreover, Ence's good performance in sustainability has enabled the company to enter the FTSE4Good index. In this way, FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Ence Energía y Celulosa S.A. has been independently assessed against the FTSE4Good criteria and has met the requirements to become a constituent of the FTSE4Good Index Series. Created by global index provider FTSE Russell, the FTSE4Good index series is designed to measure the performance of companies that demonstrate strong environmental, social and governance (ESG) practices. The FTSE4Good indices are used by a wide range of investors and other financial actors to create and evaluate responsible investment funds and other products.

Strategy

GRI 102-15

Market context

Ence operates mainly around two independent and complementary businesses which have solid long-term growth prospects. The first is the production of special pulp and the second is the generation of renewable energy. The first is a cyclical business while the second provides stability and visibility to revenues.

Fast urban population growth and rising living standards in emerging countries are the main factors driving the continued growth in global demand for cellulose for hygienic products as well as viscose for textile applications. Added to this trend is the ability of cellulose, which is a natural, sustainable, renewable and biodegradable raw material, to replace other materials such as plastics or synthetic fibres.

Growth in renewable energy is driven by targets set at national and international levels to combat climate change. In this sense, the European Union, in its framework for action on climate and energy until 2030, envisages reaching at least a 32% share of renewable energies. This framework was adopted by the European Council in October 2014 and the renewable energy and energy efficiency targets were revised upwards in 2018. To achieve this goal, Spain will double its renewable energy generation capacity over the next 10 years. Specifically, the National Integrated Energy and Climate Plan anticipates the development of 22 GW in wind power, 30 GW in photovoltaic power, 5 GW in solar thermal power, 3 GW in hydraulic pumping power and 1 GW in biomass power. In this sense, the European Green Deal presented by the European Commission in December 2019, which establishes the roadmap for Europe to achieve climate neutrality by 2050 and proposes a tightening of the targets for reducing emissions and decarbonising the energy sector, is an even greater boost for renewable electricity generation activities.

Strategic Plan 2019–2023

GRI 203-1

At the end of 2018, Ence presented its Strategic Plan for the period 2019-2023, articulated around four pillars:

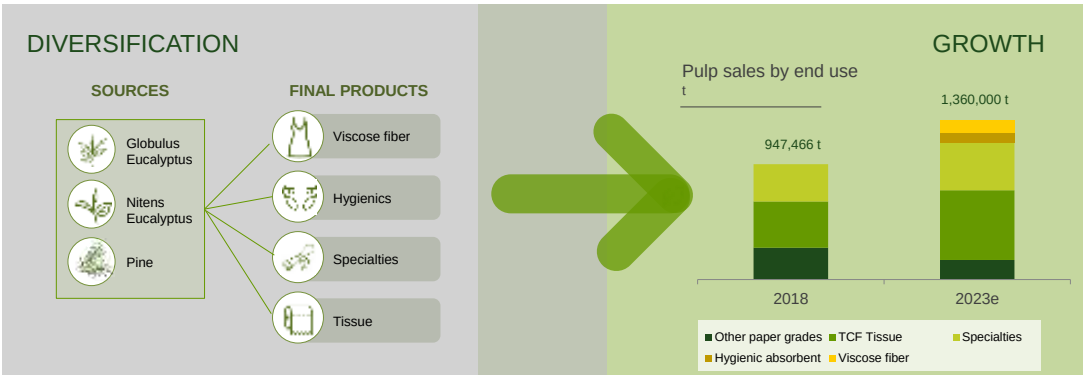
Growth

With the execution of the Strategic Plan, Ence intends to practically double the Group's EBITDA measured at constant pulp prices and reduce its cyclicality. To this end, it plans to increase its production capacity in the special cellulose business by 40% and triple the operating profit in the Renewable Energy business, to a minimum base of 150 million euros.

Diversification

Ence is committed to diversification in order to make use of these growth opportunities, while simultaneously increasing the flexibility and sturdiness of its business model. A diversification that focuses not only on products, but also on raw materials and renewable energy generation technologies.

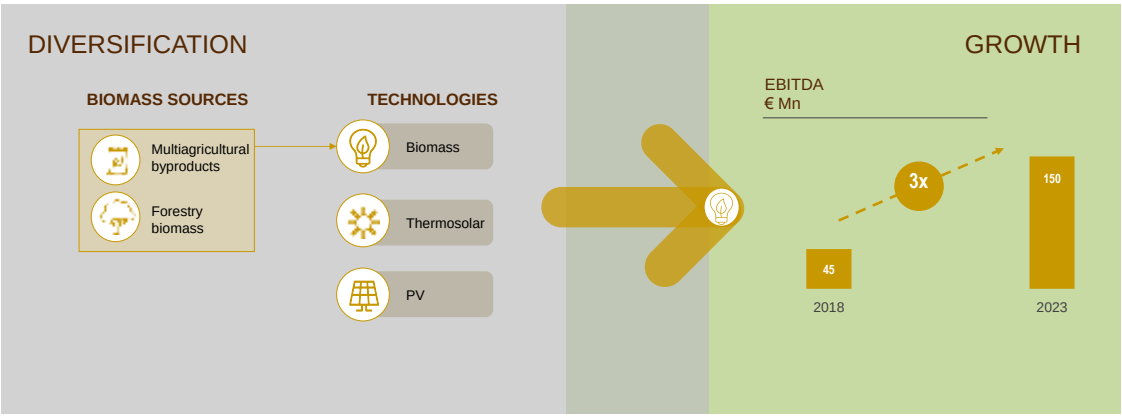
Pulp



In the cellulose business, the Strategic Plan also envisages the addition of two new products to the special cellulose portfolio: cellulose for absorbent hygiene products (*fluff*) and cellulose for viscose (*dissolving*), which is used in the textile industry. Both have even higher growth rates than the different types of pulp for manufacturing paper that Ence currently markets.

Furthermore, the Plan envisages a greater diversification of the wood species that Ence uses as raw materials to manufacture its special cellulose. In addition to boosting the use of eucalyptus *nitens*, Ence will also incorporate pine into its production process. This diversification of raw materials is intended to increase the availability of timber in the biofactories environment and offer our customers higher value-added products.

Renewable energy



In the renewable energy business, Ence also intends to take advantage of diversification. On the one hand, the company will add new types of agroforestry biomass to its range of supplies, which will increase its availability and reduce its cost. On the other hand, renewable energy generation technologies will be diversified.

Excellence in sustainability

As a leading company in the sustainable use of natural resources, sustainability is inherent to Ence's own activity, but the company also seeks to position itself as a benchmark in sustainable management. In order to do so, Ence defined its 2019–2023 Sustainability Master Plan, which sets the priority areas of action and the roadmap to achieve this positioning of excellence in sustainability in the same time frame as the Strategic Plan. The Master Plan is described in detail in the section on Commitment to Sustainability (p. 26)

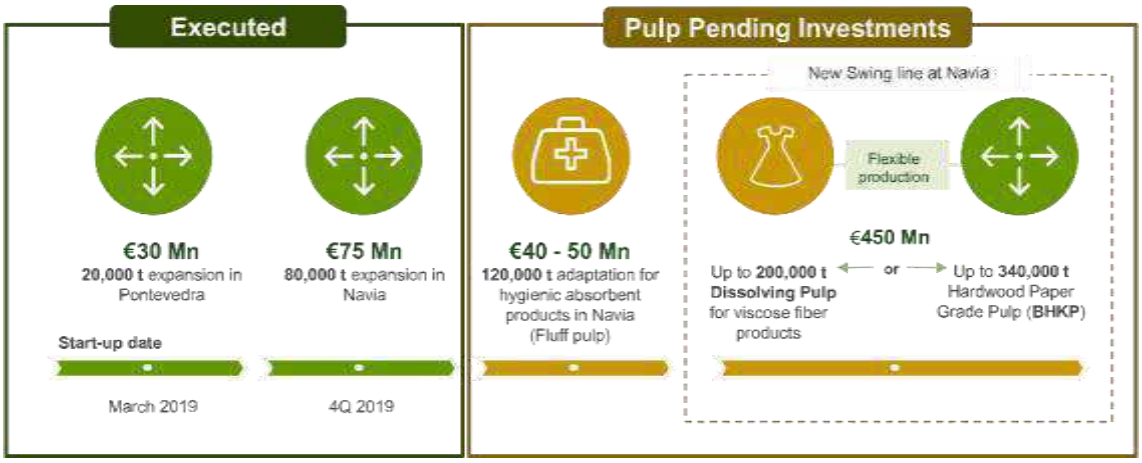
Financial discipline

As part of the Strategic Plan, Ence designed an investment plan for various independent projects to be implemented in stages in order to adapt the plan to market circumstances and thus ensure financial discipline. The launch of each project must be approved by the Board to ensure compliance with the profitability criteria and the debt levels established by business (2.5 times Net Debt / EBITDA at average cycle prices in cellulose and 4.5 times Net Debt / EBITDA in renewable energy), after the distribution of 50% of the net profit in dividends.

2019–2023 Strategic Plan Progress

Cellulose business

The Strategic Plan for the Cellulose business is made up of 4 independent projects with a budgeted investment of around 600 million euros.

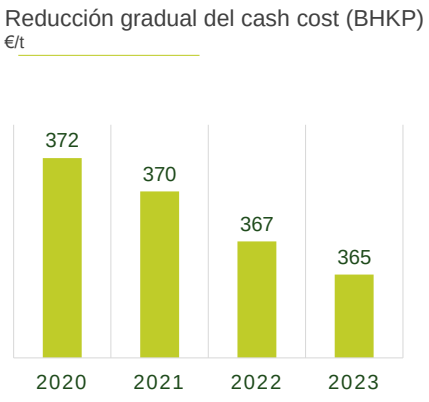


The first two projects, the 20,000 ton capacity expansion at the Pontevedra biofactory and the 80,000 ton capacity expansion at the Navia biofactory, were executed during the 2019 fiscal year and represent a 9% increase in cellulose production capacity.

During the 2020 financial year, progress was made in engineering, in obtaining the necessary permits and in the negotiation of the EPC for the two remaining projects: the adaptation in stages of the Navia biofactory for the manufacture of absorbent hygiene products and the construction, also in Navia, of a new "swing" line. This new line would have the capacity to produce up to 340,000 tonnes of paper cellulose or, alternatively, up to 200,000 tonnes of viscose cellulose or any combination of the two, depending on market conditions.

Due to the fall in pulp prices in 2019 and the health and economic crisis resulting from COVID-19 in 2020, investment in both projects is currently on hold, pursuant to Ence's commitment to adapt investments in this business to market circumstances in order to maintain financial discipline. These investments will resume once the pandemic is over, with the expected recovery of pulp prices from 2021 onwards.

With the implementation of these 4 projects, Ence is pursuing 3 objectives:



✓ Increasing cellulose production to 1.36 million tonnes.

✓ Incorporating two new products: cellulose for absorbent hygienic products and cellulose for viscose.

✓ Reducing the production cost per tonne of our paper cellulose (BHKP) to 365 euros per tonne.

In order to ensure that the cost targets of the Strategic Plan are met, Ence launched an ambitious cost reduction programme in 2019.

A change in the State's criteria regarding the extension of the Pontevedra biofactory concession.

As a result of the change in the State's criteria regarding the extension of Ence's concession in Pontevedra, in March 2019, the Board of Directors decided to concentrate the investments of the Strategic Plan for the cellulose business in the Navia biofactory, maintaining the approved objectives of growth, diversification, sustainability and financial discipline. At the end of 2020, Ence continues to defend the legality of the extension of its concession in Pontevedra, granted until 2073, at the Spanish Audiencia Nacional.

Renewable energy business

The 2019–2023 Strategic Plan in the renewable energy business contemplates an investment budget of 475 million euros, including the construction of two new biomass plants with a joint capacity of 96 MW, which are were incorporated at the beginning of 2020. These two new plants have increased installed renewable energy generation capacity by 56%, up to 266 MW (excluding the solar thermal plant in Puertollano, which Ence sold in December 2020).

In order to continue growing in renewables, Ence has a portfolio of 405 MW of mature projects that will be ready to start construction by the end of 2021, which would mean a 2.5-fold increase in current installed capacity: 240 MW are from solar photovoltaic, 140 MW are from biomass and 25 MW are from the hybridisation of thermosolar plants.

The execution of these projects is awaiting the call for technology-specific auctions to implement the National Renewable Energy Plan, and their execution will also be carried out in stages to ensure financial discipline. The government has announced that it will auction 20,000 MW of renewable energy in annual bids until 2025. Most of this capacity will go to photovoltaic and

wind projects, but it also includes 380 MW in biomass, 140 MW of which will be auctioned in 2021.

Entry of a minority shareholder in Ence Energía

In December 2020, Ence sold a 49% minority stake in Ence Energía to the infrastructure fund Ancala Partners, while maintaining control of its subsidiary, as it continues to own the remaining 51%.

Ence received a first payment of 223 million euros in December and the additional collection of up to 134 million euros is linked to the successful development of the biomass renewable energy project portfolio, to the price achieved in the auctions, to the cash distributed by the business over the next eight years and to its valuation at the end of that period.

Not only does this operation represent the incorporation of a strategic partner with extensive experience in infrastructure development and will it help to boost growth in renewables in Spain, but it will also enable the company to resume the investments planned in the Strategic Plan for the pulp business, once the pandemic has been overcome and with the expected recovery in pulp prices.

2. Business lines

Cellulose production

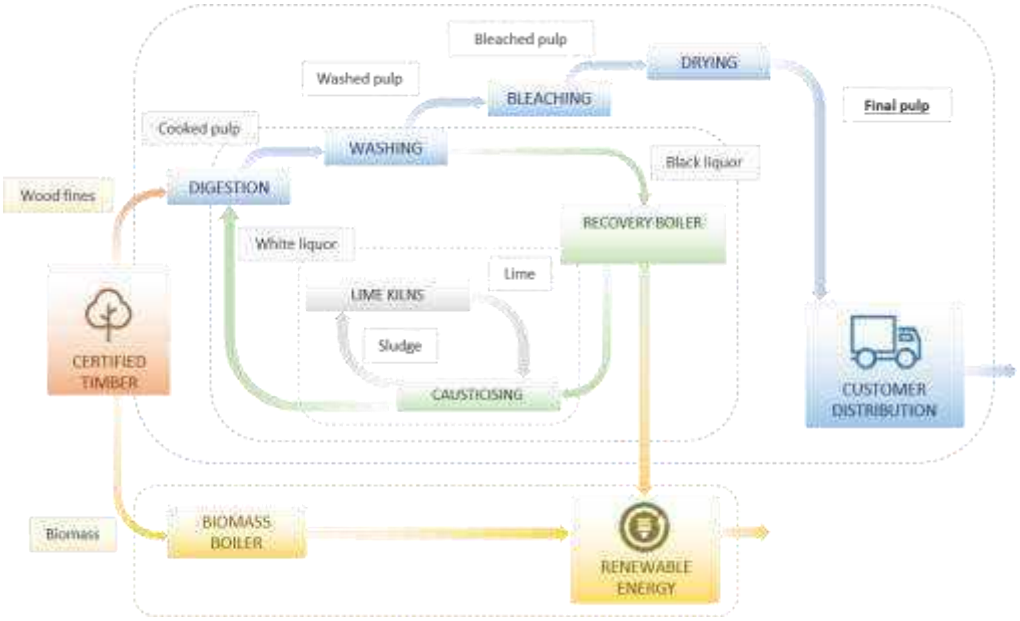
With an installed capacity of 1.2 million tonnes per year, Ence is the leading European company in the production of eucalyptus pulp and has a world market share of 3% in short-fibre BHKP pulp. The company develops its production activity in its biofactories in Navia (Asturias) and Pontevedra (Galicia) applying the best available techniques in environmental matters and contributing to the economic and social development of the communities in which they are integrated. The location of the biofactories allows them to source raw materials locally for their production cycle. Thus, both use timber 100% sourced from the northwest of the Iberian Peninsula, mostly of the *Eucalyptus* genus, contributing to boosting the local forestry sector and generating wealth for forest owners and suppliers.

Although it is a major logistical and organisational challenge for the company, most of the timber purchases are made from private owners and small suppliers, so that the value contribution is highly comprehensive and reaches thousands of families in rural areas. Ence's activity also generates value for other companies in the region, such as timber transporters, as some 400 lorries of timber enter the biofactories every day, and forestry and forest exploitation companies. In this way, Ence boosts the economy and offers employment and professional development opportunities in areas that have been hard hit by deindustrialisation and depopulation. Ence's purchasing policy not only seeks to ensure that the timber comes from local sources, but also that it has a guarantee of sustainability through certification. Thus, the vast majority of the timber that Ence consumes in its biofactories (almost 80%) has double certification according to the most demanding forestry sustainability standards (FSC® and PEFC™, see Sustainable Forest Management section on p. 186)

Pulp production process

The production of cellulose is an example of a circular bioeconomy, as it uses a natural and renewable product such as timber as a raw material and transforms it into a biodegradable and recyclable material that can be used in multiple applications and offers alternatives to synthetic materials derived from petroleum.

The production process also follows the circular economy principles: firstly, it makes full use of the raw material, as the components of the timber that cannot be used to obtain cellulose, such as bark and lignin, are used as a source for renewable energy, generating enough energy to, not only cover the plant's needs, but also export it to the grid and thus contribute to decarbonising the electricity mix.



The industrial process of pulp production and energy production from the point of view of chemical consumption and reuse of energy flows also follows a circular economy concept, as the main chemical additives used in the process are recovered and recycled and used again in pulp production, thus reducing the need to incorporate virgin materials into the cycle. And turbine steam in power generation also serves as an energy input in different steps of the process.

The waste generated also has a high potential for recovery and can be used in the manufacture of fertilisers, technosols and other applications. In this way, less than 2% of the waste generated at the biofactories is sent to landfill, which has earned Ence the AENOR Zero Waste certification.

In terms of the products used, Ence uses the ECF (*Elemental Chlorine Free*) process in the Navia biofactory and the TCF (*Total Chlorine Free*) process in Pontevedra, significantly reducing the use of chlorine in the bleaching phase of the paste in one case, and eliminating it in the other.

Biofactories

GRI 102-4

The Navia biofactory is the centre with the largest production capacity in Ence. Following the expansion project completed at the end of 2019, the biofactory increased its capacity by 80,000 tonnes (13%), to 685,000 tonnes per year. At its plant in Asturias, the company produces ECF (Elementary Chlorine Free) eucalyptus pulp, which is particularly valued in the speciality market. Most of Ence Navia's production is destined for the European market.

Within the framework of the Navia 80 project, in addition to expanding capacity, important advances have been made in the environmental performance of the plant, applying the best available technologies in the pulp production sector.

The improvements that have been implemented include a drastic reduction in water consumption thanks to the efficient use and recovery of process water and the modernisation of the treatment plant with a new primary treatment plant, and the extension of the biological treatment plant to significantly improve the quality of the effluent.

The recovery boiler has also been optimised, increasing its capacity and extending the particle filtering systems to reduce emissions. In addition, the plant’s energy efficiency has been improved, as well as the efficiency of reagent consumption in the process (for more information, see environmental commitment section on p. 148)

The Ence biofactory in Pontevedra produces totally chlorine-free pulp, making it one of the only two factories in Europe that produces Totally Chlorine-free pulp from eucalyptus wood. Following the efficiency improvement plan implemented throughout 2019, the plant has achieved an increase in production capacity of 20,000 tonnes per year, to 515,000 t/year. Most of the pulp produced in Pontevedra is destined for the European market.

The efficiency improvement plan has also included various actions to improve the plant's environmental performance, such as improvements to the recovery boiler and to the evaporators so as to reduce NOx emissions, and the installation of new vacuum filters in the washing phase to improve effluent quality. Another significant environmental improvement was the integration of a new primary treatment plant based on dissolved air flotation (DAF) and the replacement of the static sludge thickener with a dynamic one. These measures will eliminate two sources of odour from the treatment plant, will improve the extraction of primary sludge for energy recovery in the boiler and will provide the plant with an emergency pond for the storage and subsequent treatment of effluents generated in emergency conditions or during operational problems.

Projects have also been carried out to improve the plant's energy efficiency and reduce fuel consumption, such as the installation of a new filter in the causticising stage or the improvement of the efficiency of the pulp dryer and evaporators

At this plant, Ence has also carried out a pioneering landscape integration project to reduce the visual impact of the facility.

Both plants are an example of environmental excellence and are registered under the European Eco-Management and Audit Scheme (EMAS). As a result, the pulp they produce carries the most demanding environmental labels, such as Nordic Swan and EU Ecolabel.

Thus, Ence makes available to its stakeholders information regarding the environmental performance of its biofactories in the environmental statements it publishes annually and which

are available on the company's https://ence.es/sostenibilidad/declaraciones-ambientales/website. In addition, in the case of the Pontevedra biofactory, the information on its environmental parameters can be consulted in real time on the website that the company has developed expressly for this purpose: www.encepontevedra.com (for more information, see section on commitment to the environment on p. 148)

2020 strategy and milestones

Despite prices remaining at ten-year lows during 2020, global pulp demand is growing steadily, driven by the positive evolution of segments such as tissue, especially in developing countries, where per capita consumption of this product is still well below the average for regions such as Europe and North America.

The increasing demand for bio-products as an alternative to plastics in general and for natural fibres as an alternative to synthetic materials in the textile sector in particular boosts the growth of the global cellulose market as well. In this context, eucalyptus pulp - both long-fibre and short-fibre - is gaining market share over other categories.

In this light, Ence's strategy in the pulp business is based on **growth and diversification** to produce new types of pulp and special products to meet these demands.

The company also plans to make progress in the use of other raw materials, such as new species of eucalyptus or pine, and to make better use of the tree, using the stumps (section of the trunk that remains in the ground, attached to the root).

In order to materialise this strategic commitment, Ence launched the ambitious capacity expansion and efficiency improvement projects at the Navia and Pontevedra biofactories mentioned above, which involved an investment of more than €180 million and were

successfully executed in 2019. Thanks to these projects, a combined capacity increase of 9% to 1.2 million tonnes has been achieved.

In terms of diversification, Ence has made progress in the development and marketing of differentiated products, such as Powercell and Naturcell unbleached pulp (see more information in the sustainable products section, p. 228.) In this section, the Strategic Plan also envisages two major projects, on the one hand, the adaptation of the Navia biofactory for the manufacture of absorbent hygiene products ("fluff") and, on the other, the construction at the same plant of a new "swing" line, with the capacity to manufacture up to 340,000 tonnes of pulp for paper or, alternatively, up to 200,000 tonnes of pulp for viscose ("dissolving" pulp).

The year 2020 was defined first and foremost by the pandemic caused by COVID-19, which has impacted the pulp business and Ence's operations as well as other companies at a global scale. Following the declaration of a state of emergency in Spain, the cellulose production activity - necessary for the manufacture of sanitary material and hygiene products - was declared as an essential activity by the government.

In this context, Ence implemented all the preventive measures at its disposal to be able to continue with the activity of its production centres, always protecting the health of its employees and the hundreds of contractors who access the biofactories.

Thanks to the health protocols implemented and the enormous effort of the entire workforce, Ence managed to maintain its activity without any contagion inside its facilities, preserve the jobs that depend directly and indirectly on the company and continue to provide society with this basic material.

In 2020, in addition to addressing the challenges of the health crisis, efforts have focused on accelerating the learning curve in operation and on fine-tuning both biofactories following the completion of these projects, adjusting processes to the new facilities to optimise their performance.

Ence also continued with the cost reduction programme which was initiated in 2019, resulting in significant cash costs reductions in the pulp business (-6% for the year as a whole).

During the year, the company also continued to make progress in the development of the engineering and processing of the environmental authorisations for the fluff and dissolving projects.

In the *fluff* project, the line design has been completed and is now fully defined, the environmental licence has been obtained and tests have been carried out to determine line capacity and the product quality.

Regarding the *dissolving* project, Ence is awaiting environmental authorisation, expected in the first months of 2021. With regard to engineering, progress has been made in the implementation, in the design of each of the production areas and in the detailed balances of the project and each of its areas, having obtained offers from suppliers for all of them. A detailed internal assessment by area has also been completed and the adequacy of the water catchment and effluent disposal systems has been determined.

After the investments were postponed in 2020 due to the pulp market situation and the uncertainties arising from the pandemic, Ence's Board of Directors will decide on the implementation schedule for the two projects in 2021.

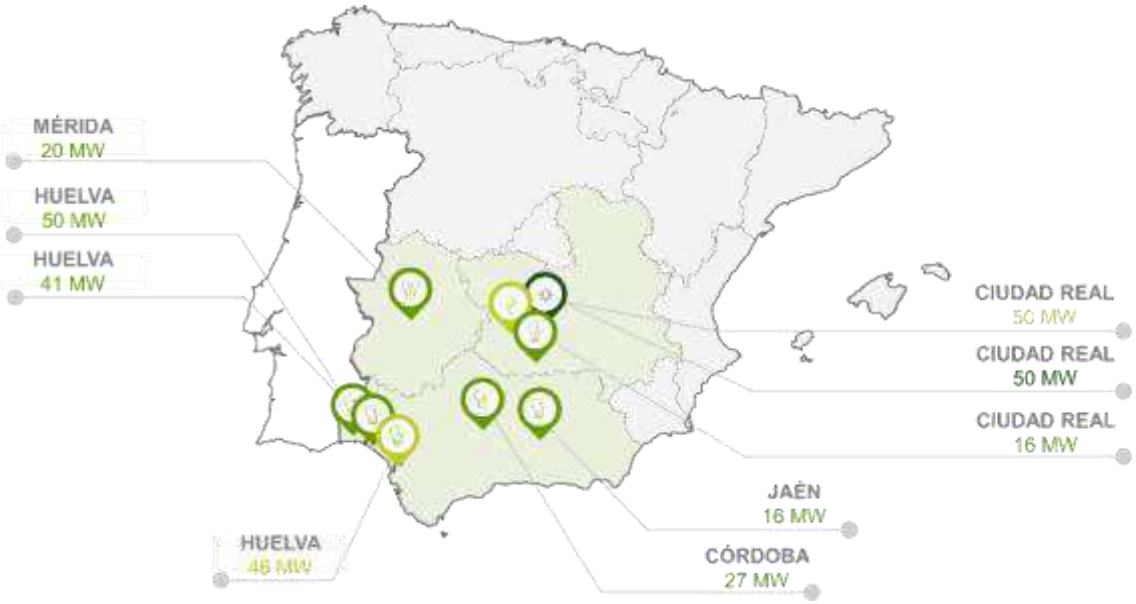
Power generation

GRI 102-4

The generation of renewable energy is, together with the production of cellulose and forestry management, one of Ence's main business lines. By December 2020, the company had a total installed capacity of 428 MW, of which 112 MW corresponds to the Navia and Pontevedra biofactories and 316 MW to the independent power plants. After the sale of the solar thermal plant in Puertollano (50 MW), the installed capacity of the independent power plants as a whole at the end of the year was 266 MW.

In terms of generation technologies, most of Ence's installed capacity corresponds to biomass, although the company also has a natural gas cogeneration facility (13 MW) in Lucena.

The geographical distribution of installed capacity at Ence's independent power plants is shown below. As can be seen on the map, the facilities are concentrated in regions where biomass resources of agricultural and forestry origin are abundant, such as Andalusia, Castile-La Mancha and Extremadura, in line with Ence's strategy of using biomass from local sources:



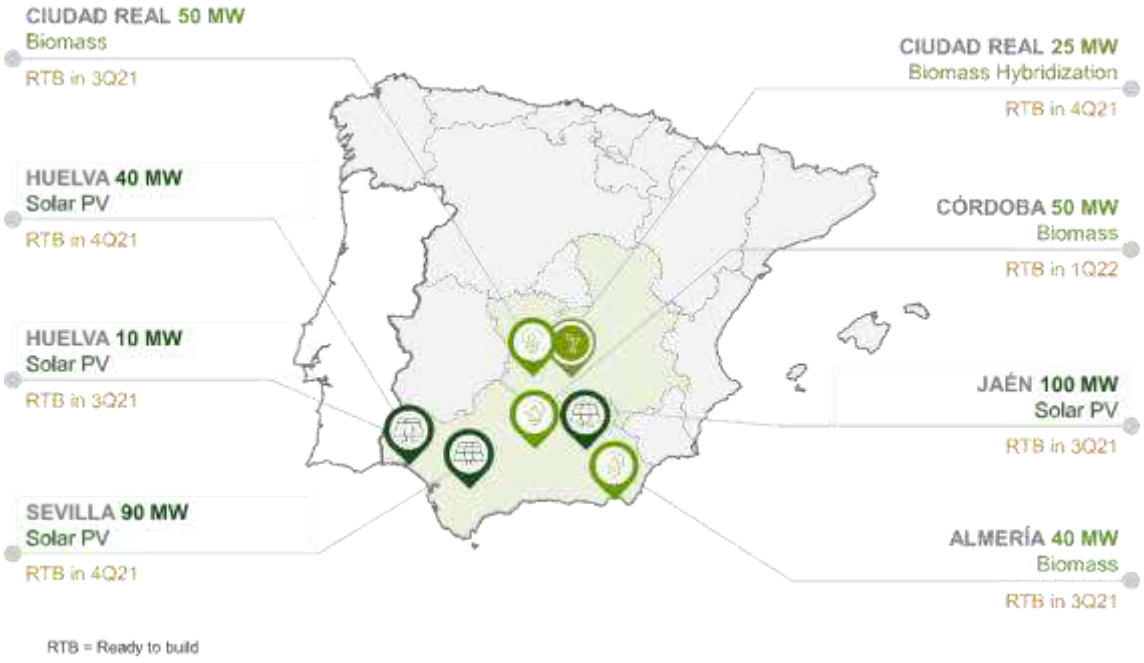
(1): The solar thermal plant in Puertollano was sold in December 2020. At year-end, installed capacity at independent power plants was 266 MW.

In addition to these facilities, Ence also produces renewable energy at its biofactories in Navia and Pontevedra, giving value to the timber components that cannot be used for pulp production and thus circularising the process. At these facilities, Ence also uses external biomass, mostly forest biomass from forestry work in the surrounding area.

Strategy

Ence launched its growth strategy in the renewable energy segment to take advantage of the great opportunity presented by the global challenge of the energy transition to a decarbonised model and, more specifically, to contribute to meeting the renewable generation targets set at European and Spanish level (74% renewable energy in electricity generation by 2030 and 100% by 2050). Moreover, participating in a regulated business provides stability to the Group, offsetting the cyclicality and volatility of the pulp business.

As set out in its strategic plan, Ence's commitment to growth in the renewable energy sector involves, on the one hand, the development of new biomass plants and, on the other hand, diversification into other technologies, with a special focus on photovoltaics. In order to fulfil this commitment, Ence is continuously working to identify and develop potential renewable projects and, by the end of 2020, it had a portfolio of 405 MW of projects with access to the grid and secured locations, pending only the corresponding auctions to be called by the administration. Of these, almost 60% (240 MW) are photovoltaic projects, and the remainder are biomass generation projects, as detailed below:



The projects in the portfolio are in various stages of processing. Among the main **photovoltaic projects**, the Andújar (Jaén) and Seville plants are noteworthy. These plants, like the projects in the province of Huelva, already have land and an access point granted by both the local distribution company and Red Eléctrica de España (Spanish Electricity Network). The Andújar project has an installed capacity of 100 MWp with an expected annual generation of more than 180 GWh. The Seville project has an installed capacity of 90 MWp with an expected annual generation of more than 170 GWh. Together, these plants will prevent the emission of some 108,500 tonnes of CO2 per year.

In terms of **biomass generation** projects, the future 40 MW plant in El Ejido (Almeria) is worthy of note, as it will provide a response to the pressing problem of waste management of greenhouse crops in the region. It is estimated that around one million tonnes of biomass is generated annually in the region, for which there is currently insufficient treatment capacity and which is disposed of in illegal landfills, causing serious environmental and phytosanitary problems. The plant not only offers the opportunity to give value to these residues and circularise the local agricultural production model, but is also an example of circular design in itself, as it will use part of the heat generated in the installation itself to dry the biomass, thus avoiding the use of additional energy, and will return part of the water used in the water-steam cycle, after purification, to the irrigation communities of El Ejido. The project has the support of local stakeholders (town councils, local administrations, the Andalusian regional government, environmental associations, farmers, etc.), with whom Ence has been in close contact since the early stages of the project.

Ence has also proposed the construction of a new 50 MW biomass plant in Cordoba, to recover waste from olive crops and industries, such as olive leaves, olive pruning and pomace. At the same time, the possibility of consuming other fuels such as the bedding material generated on poultry farms in the area is being assessed. Poultry bedding material is a mixture of poultry droppings and straw or sawdust, which is currently used in an environmentally unsustainable way.

Ence also has evacuation capacity for an additional 50MW at the site of the current Puertollano biomass plant, which uses biomass from the area's vineyards, among other agricultural waste. The project is currently in the environmental processing phase.

The other line of diversification that defines Ence's strategic plan for the energy area is focused on the use of new biomass sources that could not be exploited until now. Ence works continuously to identify underutilised biomass flows and to develop the supply chains (partners for use, treatment and transport) that allow the potential of these biomasses to be exploited. More details on diversification projects can be found in the biomass R&D&I section (p. 75).

Ence is also looking into various opportunities in other markets, such as renewable energy storage, biofuels and green hydrogen, where it can leverage its experience as an industrial and energy group, as well as its decades of leadership in agroforestry logistics.

2020 Milestones

During the state of emergency brought on by the pandemic in 2020, Ence's power generation activity was declared essential, as was its pulp production. Thanks to this, and to the company's efforts to implement strict sanitary measures to avoid contagion, Ence managed to maintain the activity of all its power generation plants throughout the year. In this way, the company not only secured the supply of renewable electricity, but also managed to maintain the activity of the companies in its supply and logistics chain, thus cushioning the economic impact of a crisis that has drastically affected many sectors.

Moreover, despite the difficulties arising from the health crisis caused by COVID-19, Ence has managed to achieve a number of very significant milestones in its energy business, both operationally and corporately.

In terms of operations, Ence has commissioned the two biomass plants it began building in 2019: the 50 MW plant in Puertollano (Biollano) and the new 46 MW plant that comes in addition to the two existing plants at Ence's energy complex in Huelva. The start-up of these plants ran into difficulties due to the pandemic, since access to technical assistance became complicated because of travel restrictions.

The **new Ence biomass plant in Puertollano** is a perfect example of a contribution to the fair energy transition, as it takes advantage of the site and part of the existing facilities of the old coal plant in Elcogas. With the implementation of this project, Ence contributes to maintaining quality industrial employment and boosting the region's economy. The new plant uses agroforestry biomass as fuel, including the remains of prunings from the vineyard crops in the region, providing an alternative to the uncontrolled burning of said prunings in the countryside. The plant became operational at the end of March 2020.

In the case of Huelva, in late January 2020, Ence commissioned the **new 46 MW plant integrated in the energy complex** in which the company already operates two other 41 and 50 MW plants.

The plant is supplied with agroforestry biomass, thus taking advantage of the synergies offered by the site in terms of logistics and biomass treatment and, due to its design, it offers greater flexibility in the mix of fuels it can consume, thus promoting the use of different types of biomass. With the entry into operation of these two plants, Ence has increased its installed capacity in independent plants by more than 30% compared to 2019.

Ence has also commissioned an 850kW **self-consumption photovoltaic plant** at the Huelva energy complex to cover the consumption of the auxiliary facilities and thus improve the efficiency of the complex. The plan to gradually replace self-consumption with renewable energy includes the construction of a second self-consumption photovoltaic plant to be located at the Mérida plant, which is scheduled to be commissioned in the first quarter of 2021, and the development of another self-consumption plant at the Puertollano complex, with the aim of having it be operational next year. The plan also envisages the expansion of the Huelva plant, following the entry into operation of the new biomass facilities at the energy complex.

At the **corporate level**, in 2020, Ence successfully closed two of the largest transactions in the company's recent history, so as to boost its growth in the renewable energy sector.

On the one hand, in November 2020, Ence added a minority partner to its energy business by agreeing to sell 49% of Ence Energía S.L.U. to Ancala Partners, a UK-based independent infrastructure investment manager. The Puertollano solar plant remained outside the operation’s perimeter. The agreed terms involve assigning the perimeter of the transaction a value of 886 million euros, including 154 million euros of debt. The two entities also signed a shareholders' agreement to regulate, among other things, the governance and transfer of Ence Energía's shareholdings and the adoption of a series of decisions by its board of directors and shareholders' meeting, which will enable Ence to maintain control of the company.

In addition, in December 2020, Ence closed the sale of 100% of the share capital of Ence Energía Solar, S.L.U., owner of 90% of the shares of Ence Energía Termollano, S.A. (the company that owns the 50 MW solar thermal power plant located in Puertollano), to Q-Energy for 168 million euros, including 81.5 million euros of net debt. This price represents a potential capital gain of up to 39 million euros generated in the two years since the acquisition of a 90% stake in the solar thermal plant in November 2018 for 45 million euros. The agreement reached with Q-Energy includes the possibility of jointly hybridising the solar thermal plant with the addition of a biomass boiler in order to convert an unmanageable renewable asset into a manageable one and thus optimise its use.

Participation in sectoral forums

Ence is a pioneering and relevant player in the bioenergy sector in Spain and the company actively participates in forums of interest to the industry, especially those focused on sustainability and applied innovation. In 2020, Ence participated in the European event "Biomass PowerOn", where it gave a presentation on the risks and opportunities offered by digital transformation in biomass power generation operations, and in the ICT and biomass conference, organised by ICT Biochain, it presented a practical example of the use of ICT tools in efficient biomass supply chains.

In the context defined by the pandemic, Ence has also participated in events focused on highlighting the opportunities offered by the bioeconomy to address the crisis, opportunities such as the roundtable organised by Byproductplace on the "Management of waste and by-products from agribusiness: the challenge of circularity as a driver of recovery after COVID-19"

and the webinar on new generation biomass plants for the energy transition organised by APPA renewables.

Energy Management

Ence has an energy management department, which is responsible for managing all tasks related to the purchase and sale of electricity, the planning and control of the energy business, the monitoring of energy regulation and the study and implementation of new projects related to this area, both in independent plants and in biofactories. In this way, Ence participates in the electricity market through its own energy control centre, without outsourcing tasks related to the sector to third parties.

The energy management team is also responsible for the daily and intraday bids for the sale and purchase of electricity from the Operator of the Iberian Energy Market (OMIE), as well as helping the Electrical Network of Spain (REE) to effectively balance the System by operating in the different adjustment markets of the latter (Tertiary Regulation, Deviation Management, etc.), in addition to the procedures coming from the National Commission of Markets and Competition (CNMC), the Ministry of Industry and other bodies in the sector.

Forest management

The third of Ence's lines of activity is forestry management, the basis of its business model and the source of raw material for pulp and biomass production. Ence is the leading private forest manager in Spain, with over 65,000 hectares of gross forest area in the Iberian Peninsula. The majority of this surface area is made up of company-owned woodlands (heritage) and the rest is made up of properties that are covered by some of the most common types of contracts (lease, consortium or agreement) that the company signs with private owners, Joint-owners of Commonly-owned Woodlands or town councils.

Ence's forestry assets are distributed between the south (mainly in the provinces of Huelva and Seville) and the northwest of the Iberian Peninsula (Galicia, Asturias and Cantabria). Ence uses the woodlands in its assets mainly to produce pulp for consumption and sale to third parties and biomass to supply its biofactories and independent power plants, but it also reserves almost a quarter of its surface area for the protection and conservation of ecosystems.

In addition to these main activities, other activities are also carried out in the Ence woodlands that are examples of sustainable use of the natural resources provided by the woodlands, such as cork production, grazing and beekeeping.

Ence carries out its forest management activity with three complementary objectives: to improve the productive capacity of wood and biomass in the forest, to protect its ecosystem values and to contribute to the development of the rural environment.

To improve the productive capacity of the woodlands, Ence applies its forest management system and is committed to R&D&I, focusing on the genetic improvement of plants (to make

them more resistant to climate change effects, for example), on the improvement of forestry and on pest and disease control.

To protect ecosystem values and ensure the sustainability of its plantations, Ence applies sustainable forest certification to its assets through voluntary schemes such as the Forest Stewardship Council® (FSC®) and the Program for the Endorsement of Forest Certification Schemes (PEFC™).

In addition to applying these principles at its woodlands, and with the aim of contributing to the development of the rural environment, Ence works to boost the productivity of third-party plantations, using its assets as an example of good practice for other landowners. Ence also promotes and supports the sustainable forest certification of other forest owners.

With the goal of transmitting its good management practices to the rest of the owners, the company carries out various outreach, awareness-raising and training activities, in which it encourages the formation of associations, forest certification, best forestry practices and the use of quality genetic material in plantations.

The Rural Development and Agroforestry chapter of this report (p. 176) details Ence's forestry management model, as well as the company's efforts in terms of certification and extension of its good practices to other landowners.

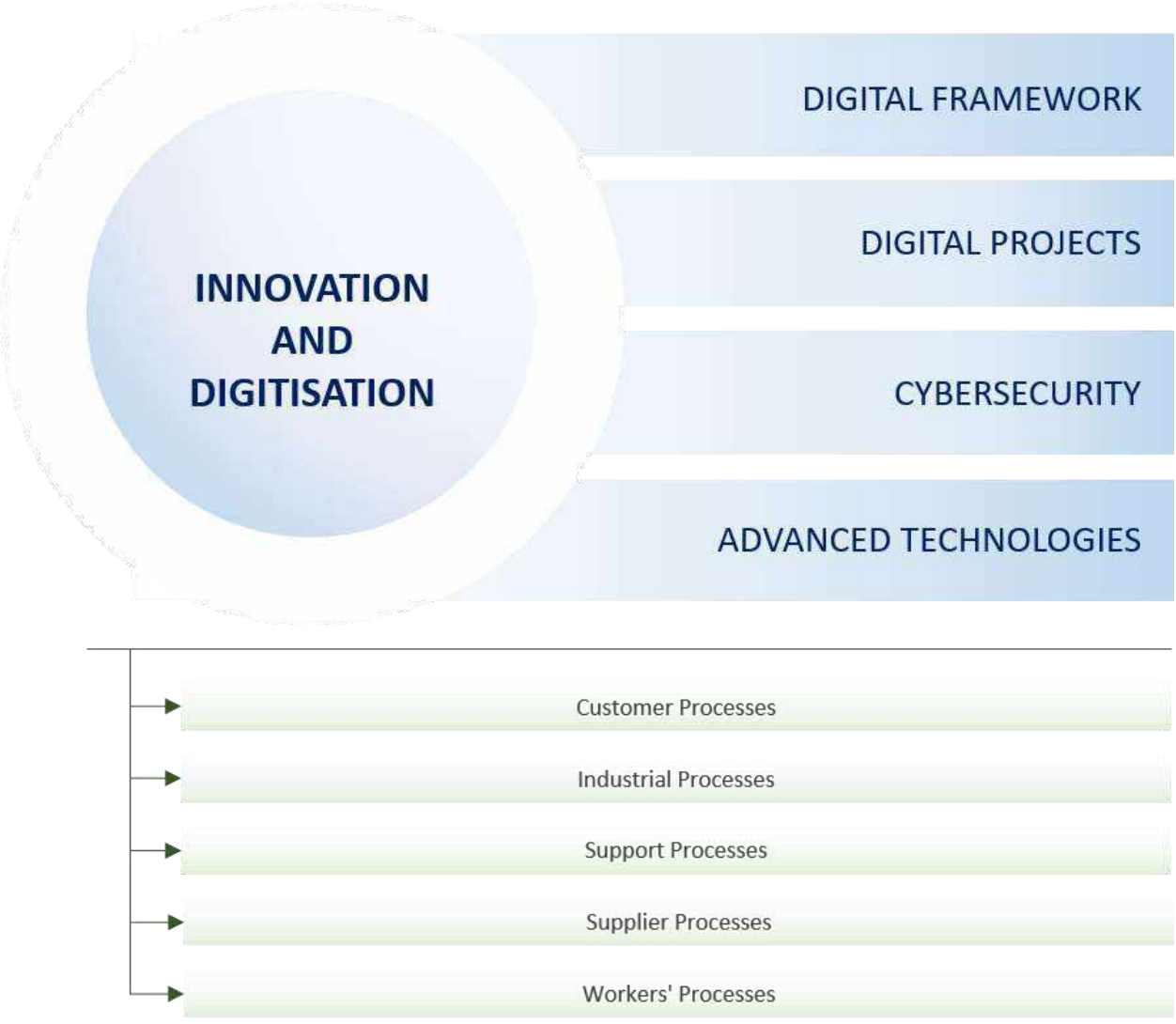
This line of Ence's activity also includes the production of improved plants in the company's **nurseries**. At its facilities in Huelva, Navia and Figueirido, Ence produces and markets plants of the highest quality, adapted to the conditions of the different sites - which are the result of the company's efforts in forestry R&D&I - both for use in the woodlands managed by the company and for sale to third parties. In this way, Ence contributes to improving the productivity and adaptation to climate change not only of its own plantations, but also of those of other owners.

3. Innovation and Digitalisation

Innovation and digitalisation are fundamental elements in Ence's competitiveness, through the identification and implementation of solutions that respond to the company's needs and strategies.

Ence's digitalisation and innovation strategy focuses on developing initiatives and projects that are a **source of value creation** throughout all of the company's operational and management processes.

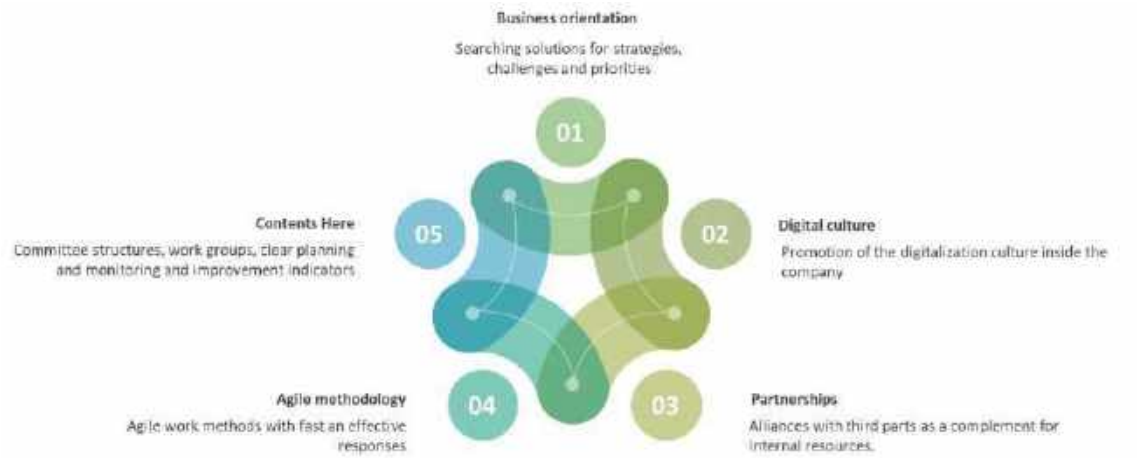
The innovation and digitalisation activity is based on the following four pillars:



Management approach and digital framework

Digitalisation and innovation require a work framework in order to permeate and gradually spread throughout the organisation. Ence understands that not only the heads of the technical areas, but also the rest of the areas must integrate these concepts, participate in them, help to

promote them and put them into practice as another responsibility in their management area. This framework is articulated in the following areas:



The **Business Orientation** of digitisation represents the starting concept, as digitisation is not the goal but the means to find solutions and improvements for the business in a competitive way.

In order to advance Digitalisation in the company, it is necessary to have a **Digital Management System** that is structured around governing bodies, plans and projects, multidisciplinary work teams, and clear plans and objectives with monitoring and improvement indicators.

At Ence, the management system and the definition and implementation of the digitalisation strategy is led by the **Transforma Committee**, made up of the CEO, the General Manager of Finance and Corporate Development, the General Managers of Pulp and Energy, and the Heads of Industrial and Management Systems. This Committee sets the priorities, approves the action plans and monitors them. There are also specific committees and working groups with the participation of various internal and external experts for each of the projects being carried out.

What is more, **collaborators and technology partners** (Partnerships), companies, technology centres and universities, startups and entrepreneurs, all play an important role and add value by complementing the internal capabilities and knowledge

For the implementation of digital projects, Ence uses standard technology project management methodologies, but the company is incorporating **Agile methodologies**, that facilitate the implementation of incremental solutions which are tested at very early project stages.

Finally, Ence understands that all levels of the company's management must promote the **culture of digitalisation**, ensuring that the process of improvement opportunities identification and the use of digital tools is extended throughout the organisation.

Digital projects

Customer processes

Regarding Ence's customers, the Client Portal was improved during 2020, based on the SalesForce platform, with the objective of optimising communications and digital connection with customers, as well as the logistical management of orders, thus insuring compliance with deadlines and increasing service levels, transparency, and satisfaction in commercial activity.

In order to assist the Commercial Management of Cellulose in customer management, dashboards have also been created for each of its management areas: Competition, Sales, Logistics, Quality, Marketing and New Products. These have been generated with one of SAP's most advanced tools (Analytics Cloud), which facilitates access to the information and its simultaneous consultation, eliminating the need for paper reports and their prior preparation.

In 2020, the internal portal of the Commercial Department was also developed in order to manage all the area's information in a single repository. This portal, developed with SharePoint tools, allows the management of shared calendars, documentation associated with visits and commercial claims and access to shared information.

Industrial processes

In this area, the factory-focused Digitalisation programme (**Industry 4.0**) continued during 2020, applying digital technologies to industrial processes with two very clear focal points: energy efficiency and predictive maintenance. In this respect, the following projects can be highlighted:

Predictive vibration monitoring

By using cloud computing for the spectral analysis of rotating machine vibrations, the evolution from traditional preventive maintenance to predictive and prescriptive maintenance has been achieved. In 2020, a total of 42 rotating equipment have been monitored. This initiative has achieved savings through increased equipment availability of close to €1m through early detection of faults and better maintenance planning.

Efficiency and predictive models:

Through the information centralised by Osisoft's PI system, operation and maintenance data is exported to the cloud, where Advanced Analytics and Artificial Intelligence (Machine Learning) is applied to

large assets, mainly boilers and turbines. This initiative has two modules: energy efficiency and predictive maintenance and serves to support Operation and Maintenance decision making. Applications include early fault detection and the construction of performance curves to optimise the operating profit of plants.

Condition-based maintenance of drives and cells

Thanks to the installation of sensors in electrical assets and to their analysis in the cloud, it is possible to improve equipment maintenance and early alarm management. This allows for the evolution from traditional preventive maintenance (based on number of operating hours or fixed time intervals) to predictive and prescriptive maintenance, thus making it possible to move maintenance work forward if necessary, or even delay it because the asset is in good health, with the consequent saving of resources. By eliminating uncontrolled shutdowns of critical drives, it is estimated that savings of more than €280k can be achieved.

Electrical Efficiency:

By prioritising the main energy-consuming assets of the factories, the digitisation of their performance curves has begun, allowing operational or control changes to be made, thus optimising their energy consumption. To date, 16 assets are being monitored out of a total of 250 identified, with an estimated cumulative electricity consumption saving of €65k by 2020.

Self-monitoring:

This tool is used to monitor and detect possible deviations from the variables defined in the Operation Control Plan. The tool makes it possible to monitor and document operational actions and control of the level of compliance with procedures as well.

Technological architecture:

Finally, Ence continues to develop projects to build a technological architecture on which the Industry 4.0 programme is based, with the capacity for processing and communication with other systems, facilitating mobility and remote monitoring, with the capacity to grow and adapt to new needs and which is safe in terms of incident detection and unwanted access. At this point, it is worth highlighting the development of the PI System to centralise all the information from previous initiatives for its exploitation at the different levels of the organisation.

Support processes

Legal advice:

A system for the digital and automatic generation of contracts and their input into a digital approval and signature flow has been developed in-house.

Administration

In this area, process automation/robotisation is essential in order to make the work of the entire management team more efficient. Thus, Ence is continuously working to automate processes within SAP ERP.

Safety, Quality and Environment

In this area, tools have been enhanced to improve mobility in both Safety and Environmental Preventive Observations, allowing employees to enter them from any device. Work has also been carried out on the digitalisation and documentary organisation of the Procedures of the Quality and Environmental Management Systems.

Planning and Control:

In this area, Ence is working to digitise and streamline the analysis of information from all management areas, by using two tools: the SAP BPC Budgeting and Monitoring System and SAP Analytics Cloud.

Human Capital

In 2020, the Auna Project - based on the SAP SuccessFactor tool which was implemented in 2019 - was consolidated. In 2020, improvements have been introduced in all areas (Objectives, Performance, Training) to optimise the management of information related to Talent and People Development.

Supplier processes

In recent years, Ence has made great efforts to promote digitalisation in relation to purchasing processes. In 2020, the objectives had a focus on:

- Improving safety in the face of COVID-19
- Improving transparency
- Professionalising the sector
- Reducing the CO_2 footprint
- Reducing paper consumption
- Improving traceability
- Securing the Chain of Custody of supplies
- Reducing costs

During this 2020, defined by the pandemic, the priority has been placed on **safety improvements** to ensure social distance. To this end, the digitalisation of timber and biomass supply chain operations has been promoted, avoiding direct contact or paper-based contact between agroforestry owners and Ence employees. Thus, all

documents and contracts to be exchanged with the owners have been digitalised, and a biometric signature has been implemented so that all operations can be carried out without the owners having to leave their homes. Documentation associated with the subcontracting of harvesting and transport (Work Permits, Waybills, delivery notes, etc.) have also been digitalised.

To **improve transparency** within the sector, the use of the Supplier Portal has been promoted, where they can find all the information on their relationship with Ence, such as their signed digital contracts, information on their woodlands and the status of their permits, scale entries, invoices and delivery notes, etc. In addition, certification groups can see all the timber entries associated with their certification code, and validate the tonnes of certified timber associated with each woodland on the same portal.

In order to **professionalise the sector**, digital management tools have been provided to different stakeholders in the supply chain, such as contractors, transporters or suppliers, from which they can carry out different tasks that streamline their work and improve information traceability. To **reduce the CO_2 footprint**, all lorries transporting timber and biomass have been fitted with a GPS, so that the transport allocations and the routes from the various points of origin to Ence's plants can be optimised. This not only reduces the emissions associated with transport, but also provides detailed information on the routes, which is used to calculate the Scope 3 footprint of the organisation and Ence's products.

In order to **reduce paper consumption**, contracts and delivery notes have been digitised. The above measures have also contributed to **improving the traceability** of timber and biomass, as the entire process from purchase to entry into the factory has been digitalised, transport lorries have been fitted with a GPS to ensure their origin, and certification groups have been given visibility so that they can verify incoming timber with their certification code.

To **ensure the Chain of Custody** of timber supplies, a project is being implemented to digitise delivery notes and waybills, whereby suppliers will indicate the Sustainable Forest Management Code of each woodland at origin, as well as its Land Registry Code, so that the data will be entered into Ence's systems when the delivery note is presented at the corresponding plant.

All of the projects described above also contribute to **cost reduction**, whether by optimising processes, avoiding unnecessary travel, or by reducing the use of resources. At the same time, DataMining and Machine Learning projects are being implemented to optimise all timber availability and harvesting operations, as well as internal biomass supply logistics, in order to make them more efficient.

Workers' processes

The health and safety of the Ence family is a strategic priority for the company and this has been made clear in the proactive and pioneering prevention of COVID-19. Digitisation has helped achieve this goal.

Ence anticipated the government's confinement measures and successfully implemented teleworking weeks in advance, within a short period of time.

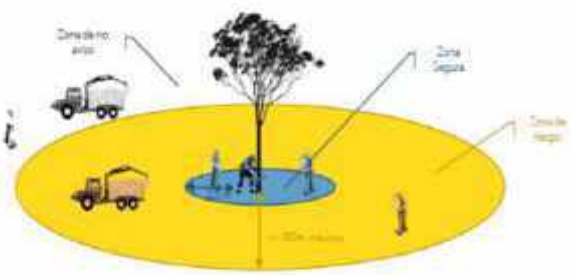
Teleworking has been a major leap forward for the advancement of digitalisation in employees' work processes. Ence was prepared to respond quickly, and has demonstrated this with the test the pandemic meant:

- ✓ In 2019, a major effort had already been made in regards to migrating to the cloud and upgrading all Microsoft 365 communication and teamwork tools. This process of change was managed with training for all employees.
- ✓ Ence's infrastructure proved to be flexible and scalable, with VPNs and communications networks for internal system access which were sized sufficiently enough to go from a maximum volume of 50 remotely connected people, to more than 540 in a very short period of time.

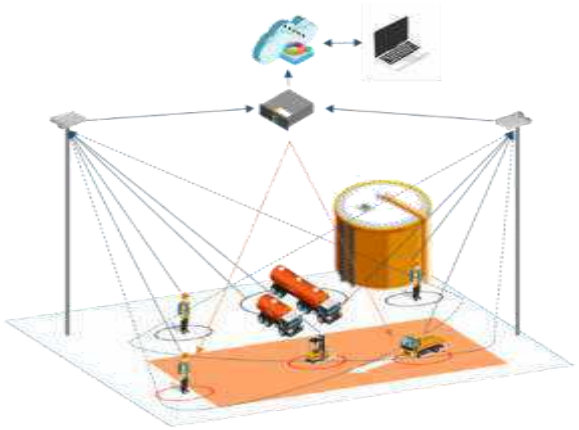
Once teleworking started, the use of the digital tools available to employees grew very rapidly. Teamwork, information sharing and videoconferencing used for communication, meetings and training through tools such as Teams, Ondrive or SharePoint, have been essential to ensure work flowed smoothly during this paradigm shift in the way we relate, communicate and, ultimately, work.

Other employee-focused digital tools have also been deployed this year, driven by the teleworking situation, such as the MiEnce app, which has been enriched with more functionalities (remote clocking in, etc.) that have enabled Ence to continue applying its work-life balance and climate improvement policies throughout the confinement. Beekeeper has also facilitated communication at all levels of the company, exchanging ideas, acknowledgements, and messages of interest among employees themselves.

In the race to achieve the goal of 0 Accidents, the Data Mining and Machine Learning project has been boosted, which, by analysing a large amount of data, is capable of predicting and preventing accidents in timber harvesting. In addition, a project is being developed for intelligent distance meters for chainsaw operators that will prevent accidents due to reaching in manual tree felling work, which is currently the greatest risk in forestry operations.



In the industrial area, the development of the **Anti-crushing system** prototype has continued, entering the final implementation phase at the Biomass Crushing Plant (PTB) in Huelva, where the risk of accidents due to being run over is possibly one of the highest in the Group due to the large volume of lorries and shovels that pass through the site.



This system uses advanced digital technologies (people and vehicle location devices and Bluetooth technologies for detection, positioning and warning) and offers, among other functionalities, early warning to pedestrians and drivers in the event of overlapping trajectories, detection of speeding vehicles on the ground, control of access to work areas and/or to areas with restricted access, identification of the presence of a pedestrian within a radius of < 5m of a moving vehicle, etc.

In addition to improving security, this system will also improve operations such as management of access and permissions by zones, monitoring and detection of best practices, etc.

Cybersecurity

Ence is aware of the significant risks posed by computer attacks and therefore, cybersecurity is one of the company's top priorities. Ence devotes a great deal of effort to this area, structuring its management approach into 6 areas:

Governance and organisation

In the monthly reviews of the Digital Projects that take place in the Transforma Committee, projects and specific actions in cybersecurity are systematically reviewed, but, additionally, a specific **Cybersecurity Committee** has been created where the operational areas are represented, and the Internal Auditing Director as well as. This committee meets quarterly and, in addition to monitoring projects, seeks to strengthen cybersecurity in terms of training, awareness and of the responsibilities of employees within their management areas.

Ence has also designed a **Cybersecurity Plan** which reflects the implementation of cybersecurity projects over the next three years, classified according to their criticality. This Plan has been reviewed in detail with IBM and checked against the NIST standards. Among the priority projects included in the plan are the following:

- Setting up of partnerships to guide the cybersecurity strategies and organisation, as well as the implementation of a security office to streamline projects
- Setting up a Security incident support service
- Cybersecurity threat detection and monitoring service (SIEM)
- Implementation of a system of identity management and privileged accounts protection.

Cybersecurity Policies and Procedures

Ence has an **Information Systems Security Policy**, which establishes the framework and principles governing information security management within the company. The purpose of this policy is to ensure the protection of Confidentiality, Integrity and Availability of information, so as to guarantee the continuity of business processes and minimise cybersecurity risks.

As a result of this policy, Ence has developed a set of **rules, procedures and instructions** which put controls in place and regulate specific aspects adapted to the needs and requirements of the organisation. Among them, the cybersecurity risk management regulations and methodology stands out.

Ence also has a **Privacy Policy**, which aims to ensure compliance with the regulations applicable to the management of the company's personal and confidential information.

Throughout 2020, all cybersecurity policies and procedures have been reviewed and updated to adapt them to the rapid evolution that has taken place in the digital area in recent years.

Employee Training and Awareness

Aware that the vast majority of cyber attacks occur through the means handled by employees, Ence also focuses its cybersecurity efforts on training and raising awareness among its workforce. Among the actions carried out in 2020, the following are worth highlighting:

- Training webinar on cybersecurity for all employees. Webinars are recorded and saved on the training platform, so that employees can view them at any time.
- On-line training courses with a learning confirmation test. These courses are compulsory.
- Cyber security knowledge pills and communiqués.
- Cybersecurity action protocol for employees.
- Simulations of real cyber-attacks (phishing).

Protection Technologies

In 2020, technological projects related to cybersecurity in all its stages have gained prominence: identification, protection, assessment and recovery, working with leading manufacturers in this type of technology. These include:

- Update of advanced EndPoint (Device) protection systems using Machine Learning and behavioural assessment technology.
- Update of advanced server protection systems, allowing servers to be virtually patched against vulnerabilities
- Review and update of all system administration accounts
- Update of backup systems with greater protection against possible cyber-attacks.
- Analysis of two-factor authentication (MFA) systems.

Agreements with third parties

Ence has formalised a collaboration agreement with the National Cybersecurity Institute (INCIBE) to receive the following services:

- 24/7 security incident support
- IT Asset Monitoring - Incident Detection
- Early Warning of possible general incidents in companies
- Information exchange
- Training and Awareness Material

In addition, a cyber-insurance policy has been signed to protect the company against cyber-attacks.

Audits – Ethical Hacking

Periodically, different Ethical Hacking or Auditing projects are set up to identify IT security vulnerabilities and establish work plans to correct them. In 2020, an audit of security passwords and employee access and another audit focused on the OT world at the Pontevedra biofactory were carried out.

Advanced technologies

Ence is following a clear strategy of consolidation, homogenisation and standardisation of all its technology in the Group. Within this framework, Ence has continued to make progress in its outsourcing plan and in its gradual infrastructure migration to the cloud.

Thus, after migrating all its servers to the cloud in 2019, the entire core SAP ERP-based Management Systems and ArcGIS Mapping Systems have been migrated this year. In addition, all the satellite systems that have been developed and implemented over the years are already implemented in the cloud and, in 2021, the migration of the rest of the corporate management systems is planned to begin so that in 2022, the management systems used at the Factories is migrated.

The advantages of this strategy are clear:

- ✓ Scalability and rapid adaptation of technological resources to business needs.
- ✓ 24/7 service (maximum availability).
- ✓ Increased technological security by being in professionally protected environments and continuously updated against possible vulnerabilities.
- ✓ Increased performance, as the technology is constantly being updated.

Finally, as we have seen in the Digital Projects description, the use of advanced technologies is being promoted in terms of the intelligent and predictive interpretation of the Business-handled data (machine learning, AI, etc.).

R&D&I in the business lines

Pulp

The R&D&I strategy for Ence's pulp business line focuses on three aspects:

- ✓ Product diversification
- ✓ Valorisation of by-products (lignin)
- ✓ Industrial process improvements

Product diversification

In regards to product diversification, during 2020 we continued to develop new products adapted to the needs of Ence's customers so as to offer optimal characteristics for each end use. Among the special products, the development of Naturcell is worth highlighting: a high quality unbleached pulp used mostly for packaging with a smaller environmental footprint than standard pulp (*more information on Naturcell and other special products can be found in the Sustainable Products section*).

In 2020, Ence also continued to work on research into the development of textile and hygiene products using eucalyptus wood from the northwest of the Iberian Peninsula. In particular, collaboration work has continued with Aalto University (Finland) for the development of dissolving paste. Pulp aimed for both the production of hygiene products and the dissolving processes will contribute to improve the environmental impact in their respective markets. On the one hand, hygienic products produced from eucalyptus will have a smaller carbon footprint than those produced from slow-growing species coming from the South of the USA. On the other hand, textile fibres produced from cellulose pulp, and therefore from timber, shall have a smaller carbon footprint and a smaller water footprint than cotton, and unlike artificial fibres, they do not generate microplastics.

Driven to offer more sustainable products, the launch of a project, which is aimed at fibre production for reinforcement and reduction of plastic in composites, and another project for the production of second-generation bioethanol are also being assessed.

In 2020, Ence also continued to lead the NOVACELL project, aimed at developing nanocellulosic materials from cellulose pulp and at adapting them for use in applications such as polyurethane adhesives, textile coatings and polyurethane foams, composites and high value-

added pipes, special papers (low grammage, hydrophobic), encapsulation for active ingredients in cosmetics, food packaging and membranes for water treatment filtration. This project is supported by the Spanish Centre for the Development of Industrial Technology (CDTI) through a CIEN grant. This year, the tasks have been oriented toward obtaining cellulose nanofibers, optimizing their characteristics by mechanical, chemical and enzymatic means and drying them by means of Spray-Dryer.

Lignin

By-product valorisation projects focused on lignin use are especially relevant, because they help in providing options to reduce dependence on non-renewable fossil raw materials, such as petroleum-derived materials. In this respect, lignin can play a fundamental role given its abundance and versatility to be processed and used in various applications and transformed into high value-added products for various industries.

In this area, Ence has collaborated in the LIGNOPRIZED project on biorefining processes for obtaining high added-value products from lignin, a project which began in 2017 and ended in 2020 and in which 4 large companies, 3 SMEs, 6 technology centres and Public Research Bodies have participated; and which has been financed by CDTI. Within the project's scope, lignin processing technology has been developed for use in plasticisers for concrete, polymer precursors, polyamides and polyurethanes, fillers and compatibilisers for pipes and textile additives.

Ence also participates in the recently launched DICKENS project (2020-2024) for industrial research into obtaining composites from natural sources, also supported by CDTI. Within the framework of this project, research and optimisation will be carried out to obtain coating materials, adhesives and composite materials and, more specifically, Ence will develop bio-polyurethanes (PU foams, isocyanate-free PU and thermoplastic polyurethanes such as TPU, intended for additive manufacturing), bio-loads of lignin micro particles and cellulose micro and nanofibres, together with modified Kraft lignin.

Along the same lines, Ence supports the European initiative of the H2020 programme, NIPU-EJD: *European joint doctorate in Synthesis, Characterization, Structure and Properties of Novel Non-Isocyanate Polyurethanes*

Polyurethanes are among the most versatile of plastic materials and are virtually ubiquitous. They are found in products such as foams in mattresses and sofas, in building insulation and in coatings and paints, to name but a few.

Today, polyurethanes are typically produced from isocyanate and polyols, compounds which present health risks and which, in the case of polyols, are mainly derived from fossil fuels. By participating in these projects, Ence and the other partners aim to stimulate the development of isocyanate-free, environmentally friendly and safe polyurethanes that contribute to the sustainable development of the polyurethane industry.

Improvement of the industrial process

In industrial area, Ence continues working on projects aimed at improving the produced cellulose properties, such as dimensional stability, smoothness, opacity and whiteness stability, as well as on the development of new non-paper products.

The COVID-19 pandemic has delayed the evaluation of the prototype arc for timber measurement using 3D laser cubing coupled to a microwave absorption arc. Work will resume in the middle of the second quarter of 2021.

With these projects, Ence reinforces its commitment with the continuous improvement and the operational and environmental excellence, apart from showing its commitment to promote the circular economy. More information on Ence's pulp R&D&I efforts can be found at https://ence.es/biofabricas/idi/

Forestry

Ence's forestry R&D activities in 2020 followed the guidelines set by the **Forestry Improvement Plan** launched more than 35 years ago. This plan is made up of 3 specific programmes, which have sufficient resources and experience to meet the organisation's demands at all times. In the current situation, this demand is reflected in *the improvement of the phytosanitary status* of the stands and in *the development of plant material modified* to improve their resilience to the impacts derived from climate change, such as the different environmental conditions and the incidence of pests and diseases.

Genetic improvement and forestry programmes

The main advances in the genetic improvement programme have continued to focus on the improvement and selection of materials resistant to the disease caused by the fungus *Teratosphaeria nubilosa*. The development of a test for the identification of materials resistant to the disease, developed in collaboration with the University of Huelva, has made it possible to characterise the first set of clones through the morphological characteristics of the leaves in the young stage. Progeny has also been obtained by means of open pollination and is being propagated and evaluated through rooting in order to assess the heritability of the resistance trait.

Within the silvicultural improvement programme, a line of innovation has been implemented for the development and continuous improvement of forestry operations. This unit incorporates the development of new planting methodologies, soil preparation, weed treatments and all forestry operations that can be improved.

Two subsoiling machines have been designed, manufactured and tested to improve soil preparation work. In relation to planting techniques, two semi-mechanised

Evaluation plot of Eucalyptus globulus F_2 clones at 4 years of age on Saiar woodland.

planting teams have been developed for both subsoiled and terraced land. With this equipment, it is possible to synchronise preparation, planting and deep fertilisation operations with precision. For plantation maintenance work, different UGVs (unmanned ground vehicles) have been evaluated, as well as other machines for weeding and shredding, with the intention of improving the efficiency of the main forestry interventions throughout the plantation shift.

The breeding and silvicultural developments of both programmes during 2020 have led to the installation of 13 new field trials, thus bringing the experimental network to a total of 82 research plots.

Significant developments in the monitoring and evaluation of these trials include the following:

- ✓ Improvement of propagation procedures for the improvement of plant quality.
- ✓ Improvement of the fertilisation rates and planting techniques and earnings quantification.
- ✓ Evaluation of clonal performance in 8 trials of the experimental network.
- ✓ Evaluation and selection for adaptation and growth traits of 21 clones as candidates for commercial clones for the NW Iberian Peninsula.
- ✓ Early adaptation and resistance assessment of 71 families and 14 *Eucalyptus nitens* seed lots to the *Teratosphaeria* traits.
- ✓ Assessment and characterisation of the technological properties of commercial clones wood, hybrid clones and other Eucalyptus *species at different ages.*

Finally, during 2020, the results of the *"Study of nutrient cycling in Eucalyptus globulus plantations for biomass production"*, developed in collaboration with the University of Huelva, were presented. This work has made it possible, among other things, to assess sustainability from a nutritional point of view, in soils with a mixed cellulose-biomass utilisation model, and to lay the foundations for the establishment of a monitoring system that provides information on the sustainability of the current utilisation model.

This study by the University of Huelva has shown that Ence's management of its eucalyptus plantations improves the quality of forest soils.

The study has determined that the soil of some twenty eucalyptus plantations studied has not only not suffered negative impacts, but has also shown a notable stability in the balance of nutrients and an improvement in pH, resulting in an improvement in soil quality. The study has reached this conclusion following assessments carried out on a series of plots which were installed on productive forest plantations in the province of Huelva, and which are studied since 2011.

Pest and disease control programme.

For the fourth consecutive year, Ence has completed work as part of the GONIPTERO Project, which encompasses the biological control initiatives deployed by the company against the main eucalyptus pest in the NW of the Iberian Peninsula. Thanks to this, Ence has become the leading private entity in biological control, multiplying the availability of treatment in Spain and reducing the treatment cost per hectare by 80%.

In 2020, the project has managed to improve the effectiveness and efficiency of treatment, reducing costs per unit area treated by 34% compared to the previous year, and by 80% since the start of the project in 2016. Damage reduction in treated areas is estimated at 14-30%.

These results are added to those obtained in previous years with a total of more than 160,000 ha treated since 2016, among heritage woodlands, individually owned woodlands and forest owners associations in Galicia and Asturias.

This year, Ence has also completed its participation as a beneficiary partner in the Supra-Autonomous Health Task Force led by ASPAPEL on *Gonipterus* in Eucalyptus (GOSSGE). In 2020, Ence participated in the training of trainers for the biological control of the pest, supplying material and developing techniques and methodologies for monitoring and production of the treatment to improve its effectiveness.

It should also be noted that during 2020, Ence continued the collaboration with ASFONOR (Asociación Forestal del Norte), initiated in 2018 for the biological control of the Goniptera.

Other actions

In addition, since 2013, Ence has been collaborating with the Huelva Provincial Council's Mosquito Control Service in the annual campaigns to monitor the mosquito population, as well as with the Madrid Zoo Aquarium (Parques Reunidos SA) to ensure the feeding of koala specimens with more than 40 species of eucalyptus that are cultivated and identified by our technical staff in the company's nurseries and arboretums.

R+D+i Biomass

Ence's innovation strategy in the biomass area continues to focus on developing value chains for 100% Spanish and local biomass. Thus, Ence aims to be able to recover biomass resources that are currently disposed of in an irregular manner, such as burning in the countryside and therefore not only wasting their energy potential, but also creating serious environmental and public health impacts.

With this vision, Ence identifies biomass flows that are being wasted, in order to develop innovative harvesting systems and to create the supply and logistics chains necessary to channel these materials to the company's renewable energy generation plants. In 2020 in particular, efforts have been focused on the following projects:

Sarmiento Project

This project is focused on the valorisation of vine prunings. Following the study and creation of supply chain from the vineyard to the boiler house for the new Puertollano 50 MW plant, this year, Ence has put into operation the collection of agricultural waste from vineyards on a large scale.

This has made it possible to supply the Puertollano plant with more than 40,000 tonnes of vine shoots and vines, which would otherwise have been burnt in an uncontrolled manner in the field, with the consequent emission of particles and other pollutants. In addition, 25 contractors have been employed for the project, generating approximately 50 direct jobs throughout the year.

Rice Paddy Project

It will provide a solution to the uncontrolled burning of crop residues in the Seville marshes, by means of the collection and recovery of rice straw in the Ence energy complex in Huelva. Still in the testing phase, the project has been presented together with 2 other partners and with the collaboration of the Andalusian Regional Government, so as to integrate it into an R&D&I programme with European funding.

4. Responsible government

Commitment to good governance

Ence's Board of Directors is fully committed to articulating a comprehensive, transparent and effective corporate governance system that allows the company's governing bodies to be structured in such a way as to protect the interests of shareholders and other stakeholders and to generate long-term value.

To this end, the company conducts a continuous analysis of existing governance recommendations and best practices in the market, as well as of the expectations communicated by shareholders, investors, ESG analysts and proxy advisors. This ongoing assessment enables Ence to adopt the best governance principles and recommendations applicable to the benefit of its *stakeholders*.

The consideration of good corporate governance as a priority issue for Ence has led the Board of Directors to integrate it as one of the pillars of the 2019-2023 Sustainability Master Plan.

In this way, good corporate governance is a strategic pillar on which the decisions of the company's governing bodies are based.

Good governance priorities

In accordance with this good governance commitment, the priorities of Ence's Board of Directors that have presided over this area’s lines of action during the 2020 financial year were as follows:

Having an effective and up-to-date body of regulations

In 2020, the CNMV carried out a review of the Good Governance Code for listed companies, which led to the modification of many of its recommendations.

In order to have internal regulations which are permanently up to date, Ence has integrated the CNMV's new recommendations into its regulations and policies.

- It has revised the Director Selection Policy to incorporate the latest recommendations of the CNMV regarding diversity in the composition of the Board (detailed below).
- It has updated the Policy on information, communication and contacts with shareholders, institutional investors, financial analysts and proxy advisors in order to incorporate the general policy regarding the communication of economic-financial, non-financial and corporate information that contributes to maximising the dissemination and quality of information available to the market, investors and other stakeholders.
- It has amended the Regulations of the Board of Directors in order to integrate all the recommendations recently updated by the CNMV throughout its articles, recommendations regarding aspects such as board composition diversity, the obligations of the director to inform the company in cases that affect it and could damage its reputation, transparency in cases of dismissal and distribution of the committees' competences in relation to the integrity and supervision of non-financial information.

In addition, as regards internal rules of conduct, the company has updated its Code of Conduct, the Whistleblowing Channel Procedure and the Internal Regulations for Conduct in the Securities Markets in order to adapt their content to the latest legislative changes in matters of criminal compliance and the communication of privileged information. In addition, the body of anti-corruption and anti-fraud legislation has been completed with the approval of the Anti-Corruption and Anti-Fraud Policy.

Governing bodies with a composition adapted to the company's needs

GRI 102-27

Following the practice recommended by the CNMV in its Technical Guide 1/2019 on appointments and remuneration committees and by the proxy advisors consulted by the company, in 2020, and following a favourable report from its Appointments and Remuneration Committee, the Ence Board of Directors approved a competency matrix for their members.

The competency matrix (see bottom of page) is an effective tool that allows the company to identify what skills and experience it believes should be present in its management body to address the company's current and future risks and opportunities.

According to Ence's competency matrix, the company's Board of Directors covers the skills necessary for the proper development of the strategic objectives, including skills in the company's core businesses, as well as in other necessary areas such as sustainability, senior management, legal, finance, risk management, team management and international experience:

In 2020, Ence also implemented a Directors' Knowledge Refresher Programme, in accordance with the recommendations of the CNMV

This programme enables Board members to keep up to date on a continuous basis on the main issues affecting the company's business from a technical, financial, regulatory, practical and legal point of view. These subjects cover aspects ranging from the operation of pulp mills and power plants to risk management, safety, corporate governance and sustainability.

This programme joins Ence's existing Induction Programme to introduce new directors joining the company to the internal regulations and general rules regarding the functioning of the governing bodies.

Having diverse governing bodies in place

The above measures to identify and update the skills of directors decisively contribute to fostering the presence of diverse profiles in terms of knowledge and experience on Ence's Board of Directors, and therefore to the enrichment and breadth of deliberations and the certainty of decisions.

Likewise, gender diversity within the Board of Directors has been one of the priorities in the *refreshing* process of the Board and its Committees.

	BUSINESS				CORPORATE AREAS						OTHER	
Members of the Board	Pulp / Forestry	Agricultural	Renewable Energies	Industrial	Senior Management	Accounting / Finance / Risk	Legal / Corporate Governance / Compliance	Digitisation / IT	Sustainability / Environment	Human Capital / Talent Management / Remuneration	International experience	Experience on the boards of listed companies
1	x	x	x	x	x	x	x		x	x	x	x
2	x	x	x	x	x						x	x
3	x	x	x		x		x		x	x		
4	x	x										
5			x	x	x	x					x	x
6	x	x		x	x	x			x	x	x	x
7				x	x	x	x					
8			x		x	x	x		x	x	x	x
9			x	x	x		x		x		x	x
10					x	x	x			x	x	x
11				x		x				x		
12				x	x	x	x		x	x		
13	x	x		x	x	x	x	x		x	x	x
14			x	x	x	x	x			x	x	x

The presence of women on Ence's Board of Directors has increased from 7% in 2017 to 29% in 2020, reaching 60% of the Audit Committee, which is also chaired by a woman.

Along the same line, in 2020, the company amended its Director Selection Policy to incorporate the new target set by the CNMV so as to ensure that by 2022 the number of female directors represents at least 40% of the total number of board members, and to adopt measures which encourage the company to have a significant number of female senior managers.

Governance bodies focused on managing ESG issues

The Ence Board of Directors has positioned ESG (environmental, social and corporate governance) management as one of its priorities, which has translated into action with the adoption of the following measures:

- The creation in 2018 of a Sustainability-specific Committee, whose functions were updated in 2020 to adapt it to the CNMV's new good governance recommendations on non-financial information.

- Likewise, the Sustainability Committee is attributed functions related to the supervision of environmental and social policy, stakeholder relations and the alignment of corporate culture with its purpose and values, as well as the promotion of action plans in matters of sustainable financing and climate change.

- The update of the Audit Committee's functions in accordance with the CNMV's new good governance recommendations, assigning this Committee the supervision and assessment function regarding the preparation and integrity of non-financial information, as well as the effectiveness of the internal control and financial and non-financial risk management systems.

- Linking the executive director's variable remuneration to sustainability objectives. In particular, 15% of short-term variable remuneration is linked to the achievement of metrics such as the company's environmental performance and people's safety indices.

- Meanwhile, 25% of the long-term variable remuneration is linked to non-financial aspects related to the environment, safety, equality, organisational climate and sustainable forest management, among others.

Ownership structure

GRI 102-5

Ence Energía y Celulosa, S.A., with Tax Identification Number (NIF) A-28212264, is incorporated as a public limited company, with registered offices at calle Beatriz de Bobadilla 14, 4ª, 28040, Madrid. Ence's share capital and number of shares are:

Share capital (€)	221,645,250
No. of shares	246,272,500
No. of voting rights	246,272,500

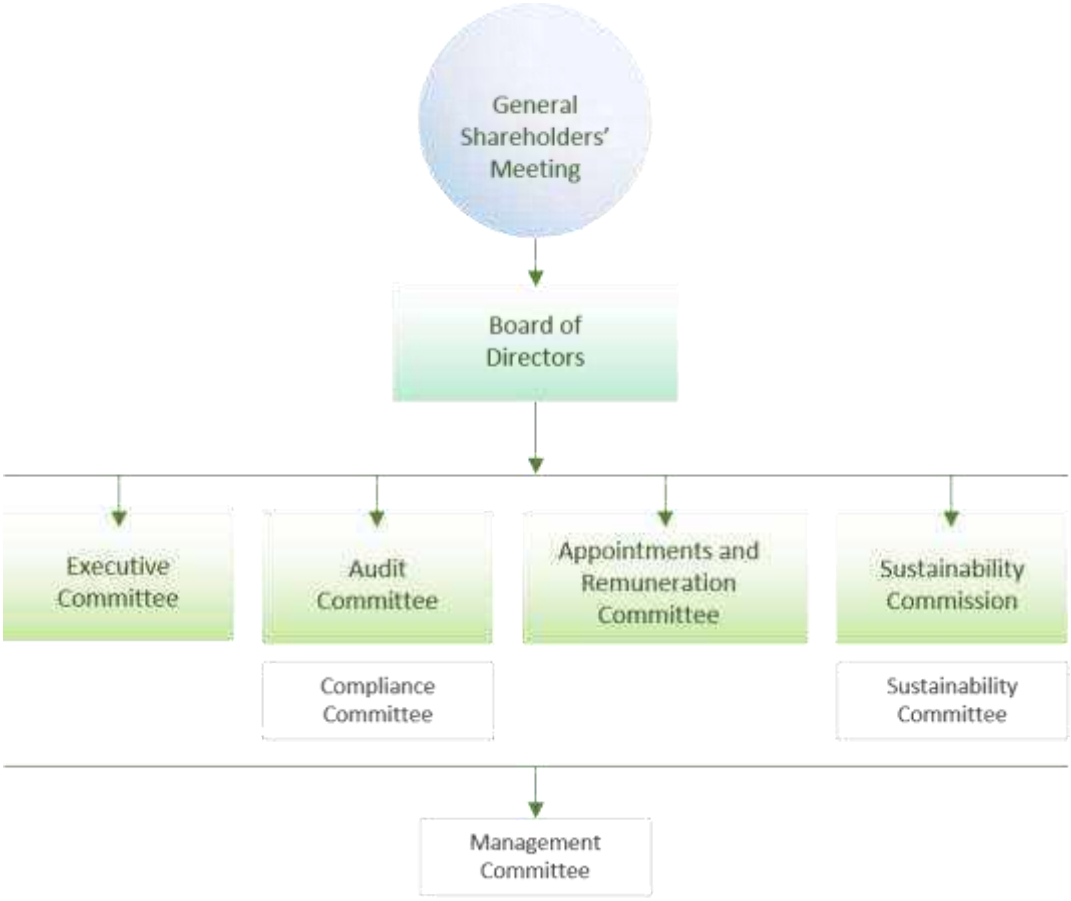
By 31 December 2020, Ence's shareholder structure was as follows:

Shareholder	% on 31/12/2020
Mr. Juan Luis Arregui / Retos Operativos XXI, S.L.	29.44
Mr. Víctor Urrutia / Asúa Inversiones, S.L.	7.29
Jose Ignacio Comenge / La Fuente Salada S.L.	6.38
Bestinver Gestión S.G.I.I.C. S.A.	3.12
Treasury stock	1.38
Board members with participation < 3%	0.55
Free Float	51.84
Total	**100**

Composition and functioning of the governing bodies

GRI 102-18, GRI 102-19, GRI 102-20, GRI 102-21

Ence's governing bodies are as follows:



Process for delegating authority:

The Board of Directors has delegated the powers that are not legally or statutorily non-delegable to the Chief Executive Officer and the Executive Committee. The Company also has a structure of managers and employees empowered to implement its strategy and basic management guidelines, whose powers are granted under two operating principles: (i) the principle of association, which governs the exercise of dispositive or organizational nature faculties; and (ii) the principle of solidarity, which governs the exercise of faculties of mere representation before Public Administrations.

The Board of Directors or the Chief Executive Officer grants the general and special powers of attorney that may be required, in accordance with the Company's Internal Powers of Attorney Regulations, to carry out certain economic or management actions, subject to the limits and conditions established in said powers of attorney.

General Shareholders' Meeting

The General Shareholders' Meeting represents all of Ence shareholders and has the powers provided for by law, in the Articles of Association and in the Regulations of the General Shareholders' Meeting (see direct access to the internal regulations at the following link on the

corporate website https://ence.es/inversores/gobierno-corporativo/estatutos-y-reglamentos/).

All of Ence shareholders whose shares are registered under their names, in the corresponding accounting records, five days before the date of the General Shareholders' Meeting, have the right to attend and vote at meetings.

The Ordinary General Meeting of Shareholders was held on 30 March 2020, and the following resolutions were adopted there:

- Approval of the annual accounts and of the directors' report of the company and of its consolidated group
- The approval of the consolidated statement of non-financial information (2019 Sustainability Report)
- Approval of the proposal for the allocation of the result of the financial year
- Approval of The Board of Directors Management
- Re-election of Mr. Ignacio de Colmenares Brunet as executive director and Mr. Víctor Urrutia Vallejo as proprietary director
- Re-election of PWC as the auditors of the company and of its consolidated group
- The approval of the remuneration policy for Board Members for the years 2020 to 2022.
- Delegation of powers to interpret, supplement and formalise the agreements
- Advisory vote on the Annual Report on the Remuneration of Directors for 2019

The average percentage of votes in favour of the agreements was 97.2%.

As a result of the crisis generated by the COVID-19 pandemic, and in order to ensure the security of shareholders and all participants at the General Meeting, the event was held exclusively online.

Ence provided the necessary electronic means to ensure that all shareholders could fully exercise their rights of attendance and participation, delegation, voting and information.

All of it in accordance with the provisions of the regulations approved by the Government in relation to the state of emergency decree, as well as with the provisions of the Articles of Association for remote attendance at the general meeting. In particular, the following measures were taken:

- Approve and publish on the corporate website the necessary electronic mechanisms to enable shareholders to attend, grant proxies and cast their votes remotely by electronic means during the general meeting with the necessary guarantees to ensure their identity.
- Extend the deadline for shareholders to exercise their right to information, proxy and vote prior to the Shareholders' Meeting until 12.00 a.m. of the day prior to the date scheduled for the holding of the meeting at second call, both by post and by electronic means.
- Live broadcast of the General Meeting to be followed on the corporate website by all stakeholders.

In addition, since the call to the General Meeting, the Electronic Shareholders' Forum was set up on the corporate website, which can be accessed - in accordance with the applicable regulations - by both the shareholders and the voluntary associations constituted and registered in the special register which was set up for this purpose at the National Securities Market Commission.

The Board may call an Extraordinary General Meeting of Shareholders whenever it deems it to be in the company's best interests, and should do so when at least 3% of the share capital requests it.

An Extraordinary General Meeting of Shareholders was held on 14 December 2020, and the following resolutions were adopted there:

- Authorisation for the sale of 49% of the shares of ENCE ENERGÍA, S.L.U., for the purposes of the provisions of article 160.f) of the Capital Companies Act.
- Delegation of powers for the effectiveness, formalisation and registration of the resolutions adopted by the general meeting.

The average percentage of votes in favour of the agreements was 99.99%.

The Extraordinary General Meeting of Shareholders was also held online only, thus guaranteeing the security of participants and respect for shareholders' rights of attendance, proxy, voting and information.

Board of Directors

GRI 102-22, GRI 102-23, GRI 102-26, GRI 102-29, GRI 102-30, GRI 102-31, GRI 102-32

Functions

The Board of Directors is the supervisory, management and control body of the Company, with the functions attributed to it by the Law and the Articles of Association, among others:

- ✓ Deliberating and approving the Company and Group strategic plan, including the definition and, in that case, the review of its mission and values, as well as the economic, social, and environmental objectives in the short, mid and long-term.
- ✓ The approval of sustainability policy, the risk control and management policy and the dividend policy.
- ✓ Establishing the corporate governance policy of the Company and the Group.
- ✓ The approval of the Crime Prevention and Detection Model
- ✓ The approval and publication of financial and non-financial information

Composition:

The Board of Directors has an efficient and diverse composition:

1 Chief Executive Officer

5 Independent Directors
1 Coordinating Director

5 Proprietary Directors

3 Directors Other External members

- 36% of directors are independent
- One of the independent directors is the coordinating director
- 29% of Council members are women
- The average age of the directors is 61.64 years
- The average length of service on the Board is 6.8 years.

The Independent Coordinating Director

In accordance with Recommendation 34 of the Unified Code of Good Governance, at Ence, the functions attributed to the Independent Coordinating Director extend to aspects additional to those that legally correspond to him. In particular, it is the Coordinating Director's responsibility: a) to chair the Board of Directors in case of Chairman and Vice-Chairman absence; b) to request the Chairman to convene the Board of Directors and to participate, together with him, in the planning of the annual meeting schedule; c) to voice the proposals and opinions of the non-executive directors; d) to maintain contact with investors and shareholders in order to ascertain their views for the purpose of forming an opinion on their concerns, in particular, in relation to the corporate governance of the Company; and e) to direct the periodic evaluation of the Chairman and to lead and organize, where appropriate, the Chairman's succession plan.

Specifically, the meetings held during the year by the Independent Coordinating Director with the non-executive directors addressed issues such as the long-term structure of the board, the analysis of the recommendations of proxy advisors and ESG rating agencies, the Chairman's succession plan and issues related to the company's strategic plan. In this way, the Coordinating Director was able, among other things, to obtain the general opinion of said directors regarding the company's corporate governance.

Main issues addressed in 2020

The Board dealt with the most relevant issues for the proper management of the company, among others:

- Scenario and impact analysis of the COVID-19 health crisis. Adoption and monitoring of security, operational and financial measures.
- Strategic reflection. Monitoring of the 2019-2023 Strategic Plan, update and approval of investments and budget.
- Approval of the procedure for and provision of the means for holding the shareholders' meeting online. Drawing up of the annual accounts and approval of the necessary reports to make them available to the ordinary and extraordinary general meeting
- Review, reporting and, where appropriate, approval of corporate transactions.
- Update of the risk map. Inclusion, among other things, of risks arising from climate change and extension of risks arising from people's health and safety.
- Update of the Sustainability Master Plan 2019-2023 and approval of the 2021 sustainability objectives.
- Update of the Crime Prevention Model and the Code of Conduct. Approval of corporate policies: anti-fraud policy, whistleblowing channel procedure, internal rules of conduct in the securities markets, policy on selection and diversity in the composition of the Board, policy on communication with shareholders, investors and proxy advisors, procurement policy.
- Update of the Regulations of the Board of Directors in the light of the new recommendations of the Code of Good Governance.
- Supervision of the Pontevedra Social Plan.
- Analysis of the markets in which the company operates and preparation of the necessary forecasts. Ongoing reports from the General Managers on the most relevant issues in their areas.
- Adoption of the necessary agreements for the implementation of the 2020-2022 Remuneration Policy.

Selection and assessment

GRI 102-24, GRI 102-28

The selection of candidates which will join Ence's Board of Directors follows the procedure and principles established in the Policy for the Selection of Directors and Diversity in the Composition of the Board, which is available on the corporate website (https://ence.es/inversores/gobierno-corporativo/codigo-de-conducta-y-politicas-corporativas/). This policy has been updated in 2020 in order to incorporate the new diversity objectives established by the CNMV in the Good Governance Code

In particular, the new policy seeks to ensure both that, by 2022, the number of female directors represents at least 40% of the total number of board members and that the company adopts measures to encourage having a significant number of female senior managers.

Board Members shall hold office for a maximum period of three years and may be re-elected once or several times for periods of the same duration.

The assessment of the Board follows the mechanism set out in Article 19a of the Board of Directors' Regulations. The results of the 2020 annual evaluation led to an action plan with measures including, among others, intensifying training activities through the Knowledge Refresher Programme, increasing the mechanisms for dialogue between the Board and the Committees and management, extending the duration of sessions of particular technical complexity in the Audit Committee and the Board, and holding an annual monographic session dedicated to strategic reflection.

Remuneration:

GRI 102-35, GRI 102-36

The Board of Directors is responsible for determining each director's remuneration, with previous report from the Appointments and Remuneration Committee, within the framework of the Directors' Remuneration Policy approved by the General Meeting.

The current Remuneration Policy 2020-2022 was approved by the company's shareholders at the General Meeting held on 30 March 2020, with 96.87% of votes in favour. The full text of the policy is available on the corporate website.

A detailed breakdown of all the remuneration items received by the Directors during the year is included in the 2020 Annual Report on Directors' Remuneration.

The (non-financial) sustainability objectives account for 15% of the executive director's short-term variable remuneration and for 25% of the long-term variable remuneration

Committees

The following table contains the most relevant information on the composition of the four committees of Ence's Board of Directors.

The competencies of each of the committees are detailed in articles 16 et seq. of the Regulations of the Board of Directors, which have been amended in financial year 2020 in order to incorporate the new recommendations of the Code of Good Governance. Details of these functions can also be found in the Annual Corporate Governance Report 2020.

Ence's commitment to sustainability and the creation of long-term value resulted in the creation in 2018 of a **specific Sustainability Committee**, which, in addition to setting and monitoring the sustainability policy and strategy, is responsible for overseeing the reporting of Ence's non-financial information to its stakeholders through different channels.

Directors	Legal category Council	2020 Committees composition and meetings			
		Executive Committee	Audit Committee	Appointments and Remuneration Committee	Sustainability Commission
Mr. Ignacio de Colmenares	Chief Executive Officer	C			
Mr. Juan Luis Arregui (Honorary President)	Proprietary Director	M			M
Mr. José Carlos del Álamo	Independent Coordinating Director			C	M
Retos Operativos XXI, S.L. (represented by Mr. Óscar Arregui)	Proprietary Director	M			M
La Fuente Salada, S.L. (represented by Mr. José Ignacio Comenge)	Proprietary Director	M			
Turina 2000, S.L. (represented by Mr. Gorka Arregui)	Proprietary Director		M	M	
Mr. Víctor Urrutia Vallejo	Proprietary Director				M
Ms. Isabel Tocino	Independent Director		M	M	
Ms. Rosa Maria Garcia	Independent Director		M		M
Ms. Irene Hernández	Independent Director	M	C		
Ms. Amaia Gorostiza	Independent Director			M	
Mr. Javier Echenique	Other Director, External	M			
Mr. Fernando Abril-Martorell	Other Director, External	M		M	
Mr. José Guillermo Zubía	Other Director, External	M	M		C
% of women	29%	12%	60%	40%	17%
% of independent ones	36%	12%	60%	60%	17%
Independent Chairperson			✓	✓	
2020 Meetings	16 (Council)	9	8	7	6
% attendance	95% (Council)	92%	100%	97%	83%

M: member; C: chairperson

The main issues dealt with in the Committees during the 2020 financial year were, among others, the following:

AUDIT COMMITTEE

- Analysis of COVID-19 pandemic measures in the framework of the Risk Map. Monitoring of risk mitigation plans. Inclusion of climate change risks and extension of risks to human health and safety.
- Evaluation and monitoring of regular financial and non-financial reporting.
- Report on corporate operations.
- Proposal for the selection of KPMG as the new statutory auditors.
- Monitoring of main litigation cases.
- Approval of the annual Internal Audit Plan.
- Approval of the annual report of the Compliance Committee.
- Proposed modification of the Crime Prevention Protocol. Proposed approval of Anti-Corruption Policy and Whistleblowing Channel procedure. Proposed amendment of the Internal Regulations for Conduct in the Stock Markets and of the Policy on information and communication with shareholders, institutional investors and proxy advisors.
- Approval of the Committee's operations report.

APPOINTMENTS AND REMUNERATION COMMITTEE

- Report on the approval of the 2020-2022 Remuneration Policy
- Drawing up the competency matrix of the directors.
- Follow-up on the 2019-23 Strategic Plan for People.
- Report on the proposal to include Good Corporate Governance as one of the areas of the Sustainability Master Plan
- Report on the approval of the consolidated text of the Service Contract of the Chief Executive Officer
- Analysis of compliance with variable remuneration objectives of the executive director and executive team
- Review of succession or contingency plans
- Selection of external advisors for the evaluation of the board and its committees and the selection of independent directors
- Analysis and application of new developments in corporate governance. Report on the new Director Selection Policy and revision of the Board Regulations
- Adoption of the report on the functioning of the Committee.

SUSTAINABILITY COMMITTEE

- Coordination of the preparation of the non-financial reporting statement
- Monitoring of the achievement of the 2020 sustainability objectives and approval of the 2021 sustainability objectives
- Review of security measures taken in relation to the COVID-19 pandemic
- GHG emission reduction plan.
- Modification of the Sustainability Master Plan to include objectives related to occupational health and two new areas, one on good corporate governance and the other on climate action.
- Review of the Biomass Decalogue
- Verification of compliance with sustainability requirements for biomass under the Renewables Directive
- Analysis of climate change risks and opportunities
- Procurement Policy Report

EXECUTIVE COMMITTEE

- Delegated Functions of the Board. In 2020, it analysed corporate operations, the market situation, the company's liquidity situation and the hedging framework.

Executive-level bodies

Management Committee

Composed of the Chief Executive Officer, the General Managers of the business areas and the General Managers of the transversal corporate areas, it is responsible for the day-to-day management of the company and jointly makes the main economic, social and environmental

decisions which, where appropriate, may be submitted to the Board of Directors within its sphere of competence. The members of the Management Committee report directly to the Committees and the Board of Directors.

NAME	POSITION
Ignacio de Colmenares Brunet	Managing Director
Jordi Aguiló Jubierre	General Manager of Cellulose
Felipe Torroba Maestroni	General Operations Manager of Independent Power Plants
María José Zueras Saludas	General Human Resources Manager
Alfredo Avello de la Peña	General Manager of Finance and Corporate Development
Reyes Cerezo Rodríguez-Sedano	General Secretary and General Director of Sustainability
Modesto Saiz Suarez	Sales, Marketing and Logistics Director of Celulosa
Fernando González-Palacios Carbajo	Director of Planning and Management Control

Mr Luis Carlos Martínez Rodríguez (Communications and Institutional Relations Director) left the Ence Management Committee in the first half of 2020, Mr Alvaro Eza Bernaola (Supply Chain) and Mr Faustino Martínez Rodríguez (Safety, Health and Environment) in the second half of 2020.

Compliance Committee

The competencies of the Compliance Committee encompass three large areas: (i) Code of Conduct, (ii) Crime Prevention and Detection Model, and (iii) Personal Data protection. It reports on a timely basis to the Audit Committee, the body to which it reports, and is made up of the heads of the Internal Audit Department, the Human Capital Department, the General Secretariat and the Safety, Health and Environment Department.

Sustainability Committee

Ence has also set up a Sustainability Committee as the executive body responsible for promoting and applying the guidelines set by the Board's Sustainability Committee. The Sustainability Committee is made up of the Chief Executive Officer - who acts as Chairman - the General Secretary and the heads of the Directorate-general for Human Capital, the Directorate-general for Cellulose, the Directorate-general for Operations of Independent Energy Plants the Directorate-general for Finance and Corporate Development, and the Directorate-general for Health, Safety and Environment. The Corporate Sustainability Officer and the designated Sustainability Officers in each business area also participate as permanent members of the Committee.

Relationship channels with shareholders

Ence is committed to value creation for shareholders and investors and provides them with the resources and procedures needed to guarantee maximum transparency of and accessibility to company information.

The Investor Relations Department is in charge of Ence's regular and permanent communication with the different capital market agents: shareholders and equity investors, bond holders and fixed income investors, brokers and financial analysts, credit rating agencies, etc. Its main objective is to keep the different market agents appropriately informed about the financial situation, management development, business strategy and any other relevant Company fact, ensuring the integrity, veracity, immediacy, equality and symmetry of the information.

Ence's main communication channel with shareholders, investors and other capital market agents consists of the investors section of the corporate website (www.ence.es), where the Investor Relations department maintains all the information that could be of interest to them, such as the share price, dividends, relevant facts, financial information, information on corporate governance and sustainability, debt issues and ratings, corporate presentations and results, etc. continuously updated and easily and immediately accessible. During 2020, the investors section of Ence's website received 14,255 visits.

Another communication channel is for the presentation of quarterly financial results. They are broadcast live and interested parties are given the opportunity to ask questions of the management team about them. Access to the recordings of each results presentation is also permanently available through Ence's corporate website.

All public information required by the National Securities Market Commission is also available through its website (www.cnmv.es), including the communication of privileged information and other relevant facts. During 2020, Ence has made 8 communications of privileged information and 25 communiqués with other relevant information.

Ence is also present on social networks (LinkedIn, Twitter, Facebook, YouTube), aware of the repercussions that these platforms have today. Through them, Ence seeks information on the company's activities and establishes fluid and transparent dialogue with its stakeholders.

The Investor Relations Department also deals with queries from shareholders, bondholders, institutional and private investors, financial analysts and other market agents on a permanent and individual basis by e-mail, ir@ence.es, and on the shareholder's telephone line (+34 91 337 8553). In 2020, the Investor Relations department handled over 150 queries through these channels.

Ence also participates in conferences and regularly organises informative meetings with these interest groups in order to provide them with the most adequate and updated public information about the company for the exercise of their rights and interests.

During 2020, the Investor Relations department maintained 396 direct contacts with investors, mostly via online means, through its participation in:

- ✓ 11 Virtual roadshows with equity investors.
- ✓ 8 equity seminars.
- ✓ 4 results publication conferences.
- ✓ 3 post-results breakfasts with investors in Madrid.
- ✓ Meetings and conference calls in Ence offices.

Risk management

Ence's Risk Management System ("RMS") is a process that is integrated into the organisation, focused on identifying, assessing, prioritising, responding to and following up on situations that pose a threat to the company's activities and objectives. This process involves the participation of different areas of the company with specific responsibilities that cover all of its phases.

Management approach and responsibilities

Ence's Board of Directors, with the help of the Management Committee, defines the principles of risk management to which the company is exposed and establishes the internal control systems that enable the impact and probability of occurrence of such events to be maintained within the levels of risk appetite determined and accepted by the company.

The Internal Audit Department also verifies adequate implementation of the risk control and management principles and policies defined by the Board of Directors and monitors compliance with the internal control systems implemented in the organisation.

The specific roles and responsibilities of the different stakeholders involved in the risk management process are detailed below:

- The **Board of Directors** is ultimately responsible for identifying risks and implementing the appropriate internal control systems that enable the achievement of the established objectives
- The **Audit Committee** assists the Board of Directors in supervising the effectiveness of the company's internal control and internal control and risk management systems, including the internal control systems for financial reporting (ICFR) and the ones for non-financial reporting (ICNFR), environmental, safety and occupational hazard prevention aspects.
- The **Compliance Committee**, which reports to the Board of Directors Audit Committee, is responsible for defining and updating Ence's criminal risk map, which identifies the company's activities within the scope of which the criminal offences that must be prevented may be committed.
- Ence's **Internal Audit Department** is responsible for the supervision of the company's different day-to-day risks, drawing up the Group's procedures and criteria for risk management, and its periodic presentation to the Board of Directors through the Audit Committee.
- The **general managers, directors and managers** of the different departments of Ence are responsible for the risks and continuously manage the different risks at their most operational level, within their respective areas.

Ence's Risk Management System (RMS) encompasses Ence and all of the Group's companies, all of its businesses (cellulose, energy and forest) and the activities of its corporate areas, and is defined and regulated in the **Risk Management and Control Policy** and in the **Risk Management Procedure** approved by the Board of Directors.

Ence's RMS has been defined pursuant to the guidelines of international reference frameworks, in particular, the Enterprise Risk Management Integrated Framework of COSO (Committee of Sponsoring Organizations of the Treadway Commission) and is periodically reviewed to incorporate the best practices in this area.

The RMS covers risks for the different objectives established by Ence, distinguishing between strategic, operational, reporting, and regulatory compliance objectives.

The RMS also establishes 8 **risk categories** to be analysed according to their nature, including financial risks and risks related to non-financial issues:

In addition, during the first quarter of 2020, the Management Committee initiated a project related to the definition, analysis and assessment of the **risks and opportunities arising from climate change** in Ence's businesses, as well as their integration into Ence's Global Risk Management and Control System, with 2030-2050 as horizon. During 2020, specific working groups have also been set up in the cellulose, energy and property areas to identify the specific risks and opportunities of each business unit and propose action plans (*see specific section on p*. 222)

Risk identification and analysis process

Every six months, Ence evaluates and identifies new risks and monitors the evolution of risks that have been identified in previous periods and the risks that are no longer applicable in that period. It also updates the information relating to the controls and action plans associated with identified risks.

The **Risk Record** and the **Risk Map**are the tools used bye Ence for the periodic reporting on the main risks identified and assessed in the different business, corporate and ancillary units, in accordance with the requirements established in the Risk Management and Control Policy and Procedure. The risk register contains the list of risks identified for the period, while the risk map is the result of the weighting of risks according to two variables: **impact** and **probability of occurrence**.

When assessing the impact, the different people in charge assess the potential seriousness of the risk from different perspectives: in terms of health and safety, legal consequences, impact on the environment, economic impact and impact on the organisation's objectives. The impact on each of these stakeholders is assessed on a five-level scale from “insignificant” to “very significant”. In the case of the probability of occurrence, the risks are assessed on a percentage scale of probability of five levels as well, from the "rare" to the "almost certain". Once the most relevant risks have been determined regarding impact and probability, two factors are analysed: **speed** (time between the occurrence of the risk and its expected impact) and **vulnerability** (indicative of the effectiveness of the control actions in place).

In addition to assessing the impact and likelihood of occurrence of each assigned risk, those responsible in the different business areas or "risk owners" establish the appropriate **action and control plans** to mitigate, reduce or transfer the risk in question.

All risks are assessed from the perspective of their impact on the health and safety of people and their effect on the environment, among other perspectives.

Once evaluated by the heads of the different business units, the Risk Map is reviewed by the Chief Executive Officer and the Management Committee, where the final prioritisation of critical risks is carried out.

After this prioritisation, the Risk Map is submitted to the Audit Committee and then to the Board of Directors for its final approval.

At the initiative of the Chairman and CEO, a **Crisis Management Manual** has also been drawn up, defining a common methodology for managing crises arising from Ence's main risks, which are included in the company's Global Risk Map. The Crisis Management Manual was presented, reviewed, discussed and approved by the Management Committee in 2020.

With this information, the Internal Audit Department prepares the **Internal Audit Plan** for the following year, which establishes the measures to check that the risks are well dimensioned and that the actions envisaged in the mitigation strategy are being carried out.

In the risk identification exercise carried out in 2020, which will serve as the basis for management in 2021, a total of 127 risks were identified.

Below is a breakdown of the main risks that may have an impact on Ence's activity, grouped into the categories set out in the company's Risk Management Policy. The corresponding strategies and actions taken by the company to mitigate these risks are also detailed:

Business continuity risks

- The **extension of the Pontevedra biofactory concession**
  The legal proceedings concerning the legality of the extension of the concession on which the Pontevedra biofactory is based could entail the risk of Ence seeing the useful life of its Lourizán plant reduced. To mitigate this risk, Ence has taken the appropriate legal measures, appearing in the proceedings and taking the necessary legal action to defend the company's interests. Ence has also analysed the different possible scenarios for the resolution of the procedure in order to assess the impacts they would have on the company and to develop action plans for each of them. Moreover, Ence is working to raise awareness of the social impact of its activity in Pontevedra and Galicia, in terms of value creation and job creation both directly and throughout its supply chain.

- The risks associated to **decision making**, in relation to natural disasters and catastrophes, pandemics, unexpected meteorological and geological conditions and other physical factors, fires, floods or other catastrophes that may affect production and storage facilities.

  The strategy to prevent and minimise the potential impacts of this risk consists of different management measures in the short, medium and long term, among which the most important ones are:
  - ✓ the fight against pests that threaten biological assets;
  - ✓ training on fire prevention, insurance policy contracts, periodic audits and preventive measures for inspection, surveillance and control of activities;
  - ✓ ongoing analysis of the different scenarios that could affect Ence as a result of catastrophes and natural disasters, pandemics, fires, etc. by means of a risk assessment and the identification of preventive measures aimed at minimising the impact of the potential scenarios.

- **Regulatory compliance**, especially in relation to the BREF regulation on integrated pollution prevention and control.

  As a response to this risk, Ence defines the most important investments that would need to be made in the short, medium and long term for adapting to the future new regulations and actively participates in the decision-making forums of the new BREF regulations.
  On the other hand, Ence has implemented a Risk Management System for the Offence Prevention and Detection, certified by AENOR pursuant to UNE 19601:2017. This includes numerous measures and controls that are designed to prevent or mitigate, as much as possible, any criminal act committed within our organisation, and guarantee the legality of actions carried out by Company employees or Directors in the course of their professional activities, at all times.

- **Market share**, with respect to contracting demand for products and possible changes in market preferences.

  As a response to this risk, Ence has strengthened its presence and positioning in the European market and continuously monitors trends in the pulp market. In addition, as part of its strategy to diversify its offer and grow in high value-added niche markets, the company is developing a portfolio of special products, with different time horizons for each of them.

Financial risks

- **Financial discipline**, in relation to the volatility of the price of pulp, the exchange rate and the interest rate. The price of pulp is set in dollars (USD) and Ence's costs in euros (€), meaning that business revenue on pulp sales are influenced by the euro/dollar exchange rate. Possible variations in the said exchange rate can have negative effects on company profits.

  As response to this risk, Ence maintains permanent contact with financial institutions in order to contract, if necessary, the pertinent financial and/or future hedges to mitigate the impacts derived from the volatility of the price of pulp, both in the short and the medium term. Ence also monitors the foreign exchange market and the evolution of the dollar and euro and links the most important financing transactions to fixed interest rates, with respect to exchange rate and interest rate volatilities, respectively.

- **Fiscal risk**, derived from the Public Administrations' fiscal policy.

  It is a high priority for Ence to ensure that all activities and operations are developed in compliance with the applicable tax legislation.
  The Audit Committee periodically monitors the fiscal risks that the company faces in order to help the Board establish a fiscal risk management and control policy.
  Ence also has a team of advisors and experts, combined with the availability of the company's dedicated resources, that have established internal fiscal compliance guidelines and lowered the risk assumed in this area.

- The **commercial credit risk** of customers in the cellulose business as a result of the unfavourable evolution of their business.

  In order to mitigate such risk, Ence has contracted an insurance programme that assigns credit limits based on the customer's credit quality and provides coverage for almost all of the Group's cellulose sales. There is also an internal Commercial Credit Risk Committee in which the evolution of customers is analysed in detail on a weekly basis.

Operational risks

- Improved **production capacity**, in relation to obsolete facilities and equipment

  Ence applies continuous improvement processes to strengthen its competitiveness and the quality of its products. Nevertheless, the age of some of the equipment could affect their correct operation, their efficiency, and their lifespan.

  In order to mitigate that risk, Ence works on civil works reviews, investments, and maintenance programmes with the purpose to avoid the obsolescence of facilities and equipment and to guarantee efficient productivity. The result of these reviews is the implementation of plans to mitigate obsolescence in the short, medium and long term. In addition, through independent third parties, the company carries out audits of its production facilities and equipment in order to minimise the risks derived from their age and technical obsolescence.

- **New product development**, in relation to customers' needs

  In response to this risk, Ence develops special products, adapted to the needs of its customers and market trends, with the aim to differentiate itself from its competitors. These include developments in pulp with the potential to replace plastics, e.g. in the bag segment. In addition to developing new and adapted products, Ence ensures that its products meet the requirements demanded by its customers, such as sustainable forest management and chain of custody certification with internationally recognised standards such as FSC®.

- **Optimisation of operating costs** in relation to the most competitive goods and services

  Ence has established operational efficiency as a priority, by optimising production cost (cash cost) throughout the entire value chain. This goal could become threatened due to the rising costs of raw materials (timber and biomass), consumables (chemicals, fuel, gas) other industrial supplies and parts, logistics and transport, outsourcing costs, salary costs, strikes, or a drop in productivity.

  The risk arising from an insufficient timber supply is managed mainly through increased market presence through standing purchase, small suppliers, contingency plans with different scenarios and time horizons and minimum stocks to guarantee operations.

- **Post-production logistics**, with respect to end-product stock ruptures and shipping costs

  In order to mitigate that risk, Ence continuously reviews the stock plans to identify deviations and correct them. It has also adopted a management strategy of internally assuming the possible variation in the supply and price of maritime transport in order to minimise costs.

Organisational risks

- **Changes in regulation** regarding energy market

  Ence maintains production levels in order to achieve the initially estimated profitability levels despite the change in energy market regulation.

- **Quality** Assurance and Occupational **Health and Safety**

  The main risks inherent to Ence's social and personnel-related issues are potential damage to workers' health, accidents and accidents at work, strikes, staff dissatisfaction and talent management and retention, and are analysed from the perspective of their likelihood of occurrence in the short, medium and long term.

  In order to mitigate the health and safety risks, plans for occupational hazard prevention are in place, based on training and maintaining integrated management systems and obtaining ISO 45001 and OSHAS 18000 certifications. External audits are also carried out to verify compliance with the applicable occupational health and safety legislation (see details in the Safety and Health section, p. 137).

  In relation to the health risk arising from the pandemic, since 24 February 2020, Ence has developed and implemented Covid-19 prevention protocols throughout its value chain, applying the measures established in these internal regulations, mainly aimed at preventing contagion in Ence work centres, as well as in auxiliary companies and contractors (see details in the section on reaction to Covid-19, p. 19).

  In addition, in order to ensure compliance with the Covid-19 prevention protocols, a system of prevention audits has been developed and implemented at all Ence work centres, as well as at auxiliary companies and contractors, the results of which are periodically analysed by the Covid-19 Committee.

Environmental risks

- **Impact** of the company's activities **on the environment**

  Ence carries out its cellulose and energy production activities in industrial facilities, where there is a risk (inherent to all industrial activity) of generating negative impacts on the environment and the surrounding communities. For Ence, complying with current legislation is a priority, as well as reducing to a minimum any risks that could potentially harm the company’s natural or social context to a minimum.

  Ence's mitigation strategies are based on the continuous improvement actions and on the investments in facilities to reduce the risk of impact on the environment. Specifically, the continuous improvement actions focus on the vectors considered to be priorities in Ence's environmental sustainability strategy: reducing odorous and noise impact, improving air quality, improving effluent quality and reducing the carbon footprint and water footprint. For these vectors, fundamental improvement targets

(FITs) are set at biofactories and stand-alone power plants. (For more details, see section Safe and eco-efficient operations on p. 136).

To mitigate the risks of possible negative impacts on the environment caused by the company's forestry activities, Ence applies and promotes sustainable forest management systems such as PEFC™ and FSC® in its supply chain, which guarantee legal compliance and care for the environment.

Further information on the main risks identified during the respective financial years can be found in the corporate governance reports published annually by Ence.

Ethics and compliance

Ence is a socially responsible company committed to a corporate culture based on the ethical behaviour of its employees, managers, and board members and upholds transparency as one of its main lines of action, both internally and in its relationships with all its stakeholders.

Code of Conduct

GRI 102-16, GRI 102-17

Ence's commitment to ethical behaviour, transparency, and the generation of trusting relationships with its stakeholders revolves around the Code of Conduct, which is binding on all employees, managers, board members, and third parties acting on behalf of the company or falling under its scope of application.

With the formulation of this Code of Conduct, Ence sets forth the ethical bases of trust in line with Ence's vision, the creation of a solid corporate culture, and a stronger corporate reputation. Ence's Code of Conduct is available to all the company's stakeholders and can be found on their website:

This Code establishes the ethical pillars of Ence's culture and sets out the principles that the company voluntarily undertakes to follow, establishing a commitment to ethical behaviour both within the company and beyond it with other stakeholders. The ethical pillars established in the Code are:

- Sustainability
- Continuous improvement
- Commitment
- Accountability
- Transparency
- Professionalism
- Care
- Respect
- Dialogue

The Code of Conduct also sets out the guidelines for action in different areas, specifying the objectives, commitments and obligations for the company's personnel in terms of:

- Legal regulations for employees.
- Conduct towards employees, including guidelines for safe working conditions, the fight against discrimination and harassment, and contributions to political and religious behaviour.
- Proper use of corporate resources.
- Conflicts of interest, including guidelines on conflicts of interest in the purchasing area and the principles of action in purchasing. Derived from these principles and from the IFPSM (International Federation of Purchasing and Supply Management) Standards of Best Practices for the Purchasing Profession, the Code contains the Buyer's Guide that guides the behaviour of Ence's purchasing managers.
- Fighting against corruption and fraud.
- Corruption, bribery and improper payments.
- Payments to facilitate procedures.
- Gifts, presents and hospitality.
- Transparency and integrity in financial and non financial information, including requirements for transparency and integrity in the recording of transactions, guidelines for financial and accounting reporting, for reporting information to the market, and to prevent insider trading.
- Fraud prevention.
- Confidentiality.
- Handling confidential documents
- Competition.
- Requests for information from the Government and the media
- Application of the Code of Ethics to personnel acting on behalf of Ence.
- Responsibility for implementing the Code and complying with the law.
- Obligation to declare compliance with the Code of Ethics.

The monitoring and control of the application of the Code of Conduct is the responsibility of the Audit Committee, which is the body that ensures its proper dissemination and strict compliance at the corporate level. In July 2020, Ence's Board of Directors approved the updated Code of Conduct.

In addition, Ence has a **Whistleblowing Channel**, through which all persons subject to the Code of Conduct can report possible breaches, issues, or conduct contrary to the Law and Ence's internal regulations. When submitting a report, people can identify themselves or do it anonymously. This channel can be accessed through different means, such as the company's intranet, by email (canaldenuncias@ence.es), and post (Ence Energía y Celulosa to: Chairman of the Audit Committee Calle Beatriz de Bobadilla, 14 28040 Madrid) and by phone.

In 2020, a total of 4 complaints have been received, two of them related to alleged cases of corruption between private individuals. Of the 4 complaints, 3 were received via the above-mentioned complaints channel and 1 via email. Ence carried out the appropriate investigations into each of them, as stipulated in the **Procedure** governing the operation of the whistleblowing channel (also available on the Ence website), and the company took the corresponding actions in accordance with the internal regulations in force.

Fighting against corruption, fraud and bribery.

GRI 205-1, GRI 205-3

Ence's Code of Conduct establishes the policy of zero tolerance for corruption and sets the guidelines for action regarding improper payments which must be followed by all Ence employees.

In addition, during 2020, the Board of Directors approved the **Anti-Corruption and Anti-Fraud Policy**, which constitutes a permanent commitment to monitoring and sanctioning fraudulent acts and conducts or conducts that promote corruption in all its manifestations. This Policy is available to all the company's stakeholders on the Ence website.

To monitor compliance, the Annual Internal Audit Plan includes the renewal of the annual declaration of compliance of the Conduct Code by all employees. In addition, each year a series of activities are planned based on a risk analysis that is updated every six months. Thus, in 2020, the anti-money laundering system was audited, concluding that the degree of design and implementation of the control mechanisms established in the Collections and Payments Process is adequate.

In addition, as a result of audits carried out during 2020 in the areas of industrial purchasing and the management of standing biomass purchases, additional procedures and controls were developed and implemented to strengthen the existing internal control environment in both processes.

Regardless of the specific activities planned for the year, at least one audit of the timber supply procurement area is carried out each year to verify the absence of corruption and bribery offences by individuals, covering 100% of the procurement areas. In 2020, no cases of breach in the regulations or precepts of the Code of Conduct regarding corruption and improper payments were detected.

Furthermore, the risk of fraud is analysed in all internal audits. In 2020, a total of 22 audit reports were carried out, with no breaches being detected in this regard.

Prevention of money laundering.

Ence's business model is based on a direct relationship with industrial customers (B2B). For this reason, the risk analysis does not show the company being exposed to a money laundering risk. However, focused audits are carried out periodically to review these aspects. During 2020, an audit of the Collections and Payments Process was carried out as part of the control activities established in Ence's Crime Prevention Protocol to mitigate the risk of possible crimes related to money laundering and the financing of terrorism (articles 301 and 576 of the Criminal Code, respectively). The main objective of this audit was to check that there is adequate management of cash inflows and outflows originating in the bank accounts associated with the Group's customers and suppliers, verifying that the management of the process contributes to minimising risks within the control framework established in Ence's Crime Prevention Protocol. No incidents were identified.

Furthermore, in line with its commitment to ethics and corporate integrity, Ence has a series of internal controls to prevent money laundering and, by way of example, cellulose sales operations are analysed and blocked if it is detected that these involve customers (or their administrators) located in or from sanctioned countries or tax havens.

Criminal Compliance and the Crime Prevention and Detection Model

With a firm commitment to ensuring compliance with ethical principles and good corporate governance, Ence has among its priorities the development of a solid corporate culture of regulatory compliance, in which the company's ethical values are central elements in its activities and decision-making.

As such, and in line with the provisions in criminal legislation, Ence has internal regulatory instruments that meet the need to have adequate control and management systems in the area of criminal detection and prevention, included in the company's **Criminal Compliance Policy**, which has been drawn up in line with the main regulatory references and best practices in the area of compliance. This Policy is also available to all Ence stakeholders on the website.

During 2020, Ence has continued its activities aimed at promoting its anti-crime policies, through the **Crime Prevention and Detection Protocol** defined by the company, in compliance with the requirements set by Organic Law 1/2015 amending the Criminal Code and the reform of the Criminal Code, approved by Organic Law 1/2019, which extends the crimes for which legal persons can be held liable. Said model includes, in addition to the Code of Conduct, a Policy to fight against corruption and fraud, as well as a set of procedures whose objective is to ensure that Ence exercises the due prevention oversight that is legally required of any company with respect to stakeholders and before judicial and administrative bodies. In general, the updating of the Crime Prevention Model aims to reinforce the culture of compliance at Ence, transmitting to the organization that it is a dynamic model, which adapts to changes, in order to preserve its effectiveness at all times.

The Crime Prevention and Detection Protocol incorporates a series of specific measures and controls for each applicable crime identified in any area (environment, business corruption, workers' rights, etc.) and also establishes the creation and operation of the Compliance Committee to control, supervise, evaluate, and update this model.

In October 2020, the Ence Board of Directors approved the review and update of the Crime Prevention and Detection Protocol, incorporating the legislative amendments approved since 2018, in addition to the current corporate structure and internal regulations developed and implemented as additional control mechanisms to reinforce the aforementioned model.

Certification of the Criminal Compliance Management System

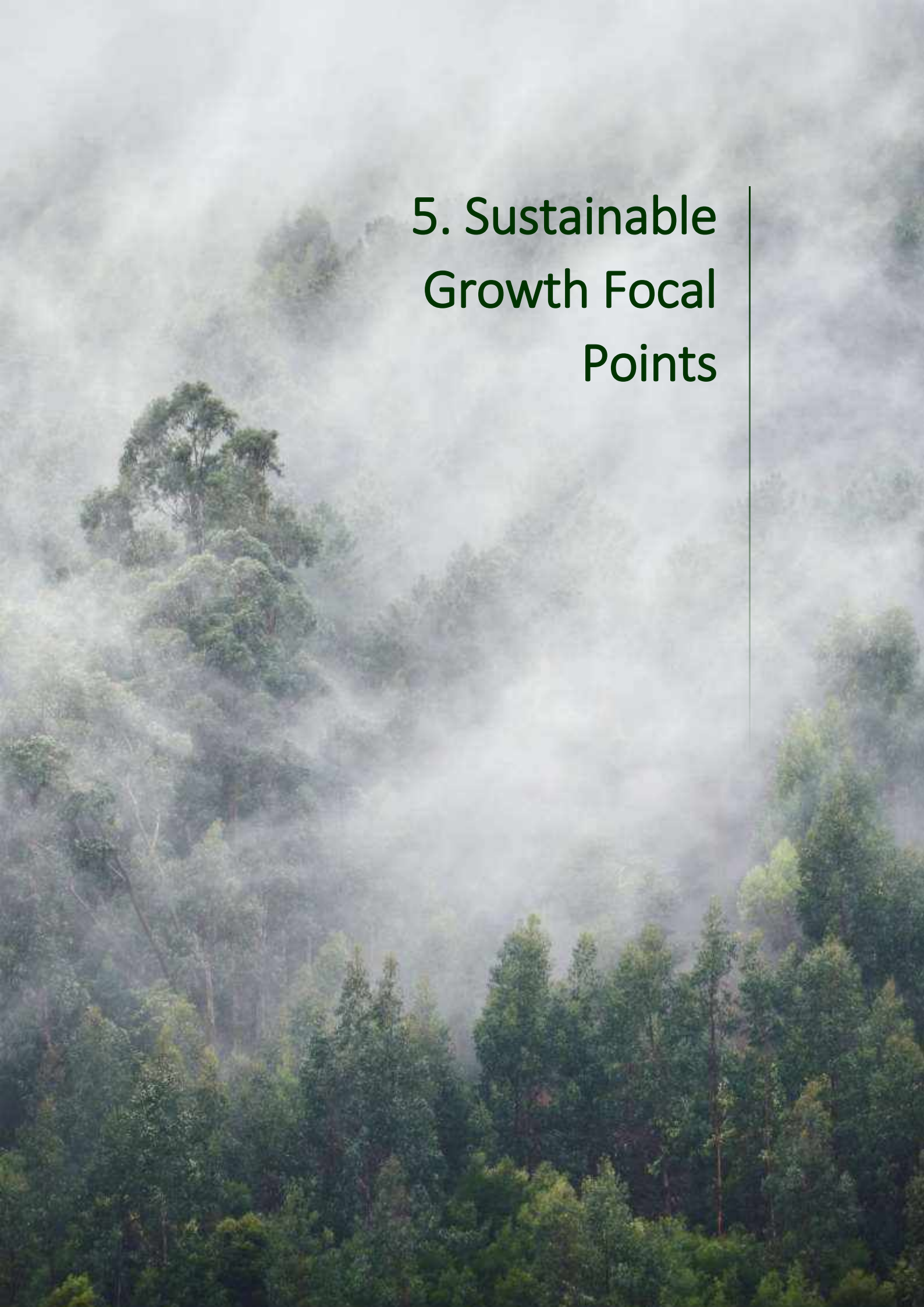
In 2018, Ence obtained the Spanish Association for Standardisation and Certification (AENOR) certificate for the Criminal Compliance Management System in accordance with the UNE - 19601:2017 standard, making it the first company in its sector to receive this recognition, which certifies an efficient management system to prevent the commission of crimes and reduce the company's criminal risk. This certification, which is voluntary and reviewed annually, confirms that Ence has implemented a criminal compliance management system through the prevention, detection, and management of conduct that does not comply with the company's standards. The certificate takes into account the provisions in Organic Law 1/2015 on Criminal Code Reform with respect to the requirements for crime prevention models and complements them with the best international practices established in the area of social responsibility, compliance, and risk management. The certification confirms Ence's commitment to corporate governance best practices,

responsibility, transparency and commitment to its stakeholders, and to the highest standards of business ethics and the reduction of criminal risk in carrying out its activities.

Training and outreach

Another of Ence's lines of action in terms of ethics and compliance involves transmitting the company's commitment to integrity in all its activities to all its employees. Therefore, the company carries out numerous training and outreach activities in this regard, among which the following are most noteworthy:

- Implementing training activities to raise awareness of the compliance at all Ence sites. In 2020, 7 training activities have been organised in this field, with an average participation of 735 people each. Specifically, 990 people took part in the training for the Code of Conduct and Anti-Corruption Policy, which represents 86% of the staff.
- Compliance outreach activities for all employees through the AUNA corporate training platform.
- Training in specific compliance matters (Code of Conduct, Whistleblowing Channel and Crime Prevention Protocol) for managers and its internal cascade communication.
- Formal acceptance through the annual Declaration of Compliance with the Code of Conduct, the Antitrust Programme, the Anti-Corruption and Anti-Fraud Policy and the Declaration of Conflict of Interest. Meetings with the Works Councils and employee representatives at the biofactories, power plants and head offices to explain and increase awareness and dissemination of the Code of Conduct and other Ence internal compliance regulations.



5. Sustainable Growth Focal Points

Ence people and values

Ence's commitment to the people who work at the company takes the form of a firm commitment to the generation and maintenance of stable, quality employment, the development and promotion of talent and the promotion of equality and diversity in the human team. Ence thus seeks to create an attractive and motivating organisational environment for all the people who form part of the company.

Ence also seeks to strengthen the commitment of the entire team to sustainability and its alignment with the company's values, improving the climate and their sense of belonging and pride.

By working along these lines, Ence contributes to SDG 4, promoting the development of internal talent through training and capacity-building initiatives; to SDG 5, promoting effective equality in Ence's human team; to SDG 8, by focusing on the generation of quality employment with a high level of stability and prioritising local hiring; and to SDG 10, promoting the social inclusion of all people without discrimination and with a special focus on local communities.

Strategic Plan for People

GRI 102-8:

For Ence, the human team is the key to achieving the objectives set by the company in its 2019-2023 strategic plan. Ence's vision for its human team is that all the people who form part of the organisation:

- Are committed to Ence's Values (people and their safety; customers; results; the environment; continuous improvement; Ence) and to the organisational climate and sustainability.
- Be competent.
- Feel ownership of their work, with autonomy in decision-making to achieve results.
- Cooperate transversally between areas and understand the impact of their work on the whole.

To this end, Ence promotes the figure of the Ence Leader by developing the 4 competencies defined in its leadership model:

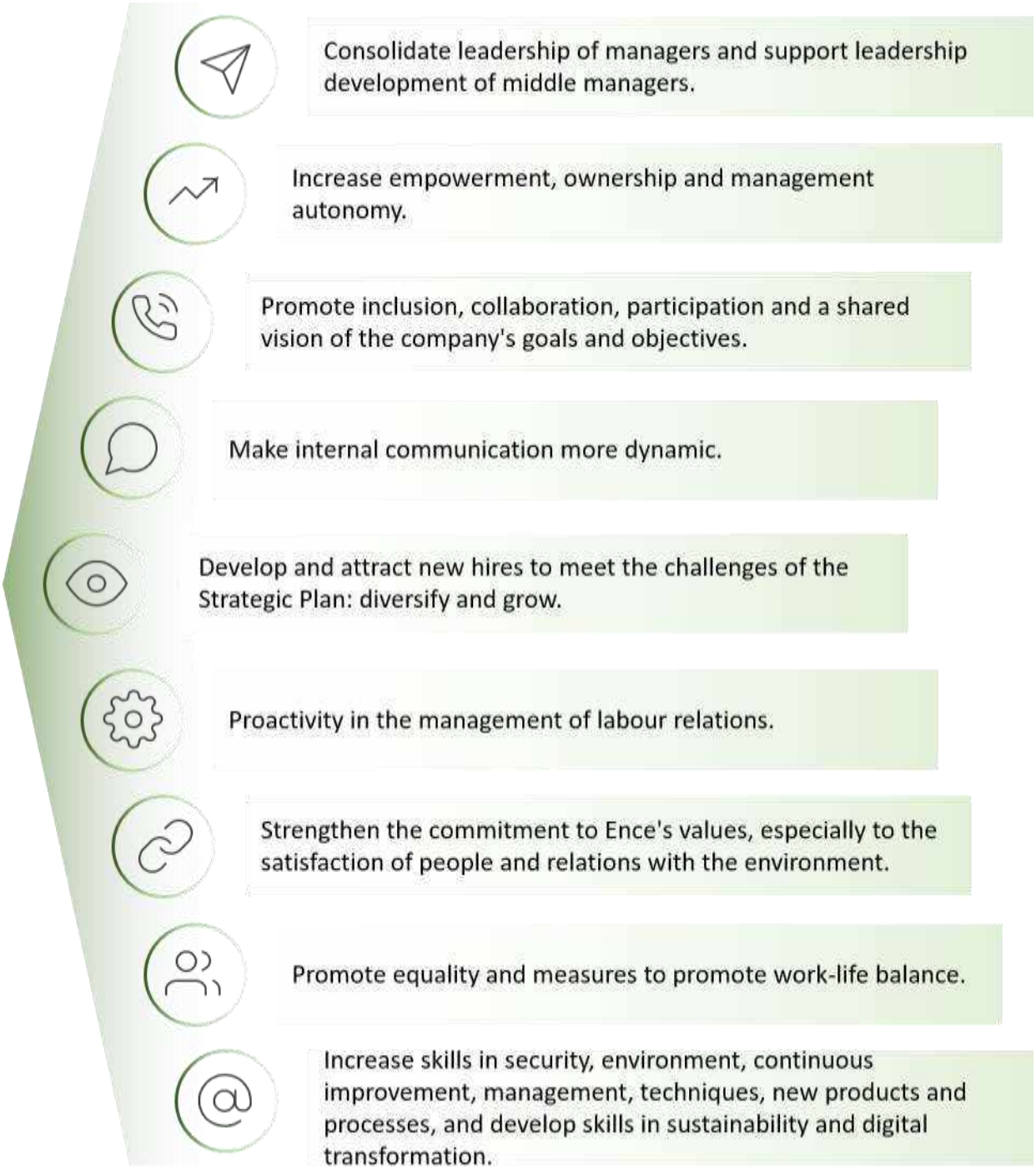
- ✓ The leader inspires the achievement of objectives by linking the objectives of his team with those of the company, generating common goals.
- ✓ Promotes transversality and a shared vision at all levels as a way to meet the challenges of the business.
- ✓ Conveys Ence's values and is an example due to their ability to communicate, mobilise and generate confidence in others.
- ✓ Cares by acting as a mentor and getting their collaborators to act as protagonists of their own development, overcoming the fear of making mistakes.

With this vision, Ence has established the following general objectives in people management:

- Attracting and retaining the talent needed for the strategic plan.
- Managing and evaluating performance to clarify what is expected of the position and that each person knows their mission and contribution, directing efforts towards Ence's objectives and challenges, guiding through the career plan towards development and progress and obtaining commitment to the values and model of the Ence leader.
- Paying to attract, motivate and retain people in an equitable and competitive way; to each person differentially according to their professional development in the exercise of their responsibilities and their contribution to business results, where both personal and team contribution is fundamental.
- Recognising achievements through words and deeds. Our employees are our most important asset and that is why we devote our attention to them.
- Investing in development and training.
- Communicating transparently and providing the channels for communication to flow in all directions.
- Promoting our continuous improvement management model (TQM), learning, sharing of best practices and suggestions.
- Promoting equality and active policies in favour of work-life balance.
- With simple and efficient organisational structures that promote transversality, cooperation, teamwork and communication.

To achieve these objectives, Ence has established a Strategic People Plan for the period 2019-2023, which focuses on 9 priority areas of action:

Based on these priority areas of action, specific human capital management objectives are defined and updated annually.



Some of the actions developed in 2020 in line with each of these axes are detailed below:

In order to consolidate leadership of managers and support leadership development of middle managers, the 360° evaluation and coach leader training for the chain of command has been launched.

In order to increase the empowerment and feeling of ownership and management autonomy, the project Ence10 has consolidated itself with the implementation of customer-supplier partnerships between different areas and the routine monitoring of partnership results, as well as the development of compliance assessment audits of RACI responsibility matrices in the cellulose area. Furthermore, groups of internal expert committees have been set up to share experiences and knowledge.

In order to promote mainstreaming, collaboration, participation and a shared vision of the company's objectives, in addition to the development of Ence 10 - Excellence Teams and the launching of the annual satisfaction survey for internal clients, monitoring is carried out through a harmonisation committee to ensure the application of the Objective Setting Code.

In order to boost internal communication, the new Ence App and Beekeeper were launched and the Management Committee's Annual Internal Communication Plan was monitored.

In the area of talent development and recruitment, the annual Talent Programme continued in 2020 and the Boost your career and Boost your Talent Programmes were launched.

The protocol for the management of labour relations has been consolidated to integrate labour relations into the management of all the company's executives, developing habits and policies to maintain a healthy and high-quality dialogue.

To strengthen the commitment to Ence's values, environmental education and training given by Ence employees at educational centres near the operation centres have been organised as well as presentations of Ence's values to new recruits have been carried out by the company's directors. Internal recognition has also been strengthened and corporate volunteering actions linked to the environment have been promoted. .

To promote equality, in addition to developing awareness-raising actions on diversity and equality, stereotypes and non-sexist language, work has continued on the implementation and monitoring of the 2020 equality objectives and the working time policy, and equality objectives have been established for 2021.

To increase competencies, training programmes on Sustainability, Equality and Cybersecurity have been developed as part of the Regulatory Compliance Programme. The training plan to support digital transformation and the expert knowledge management plan for Fluff and Dissolving (new cellulose products) have also been developed.

Performance management, talent attraction and retention

One of the key areas in human capital management for Ence is to ensure that the company attracts, develops and retains the talent necessary for the successfully development and fulfilment of the objectives set out in the People Strategic Plan.

For this, Ence offers a value proposition to accompany individual contract personnel in their professional and personal project at the company in terms of developmental pay, active reconciliation, equality policies and communication.

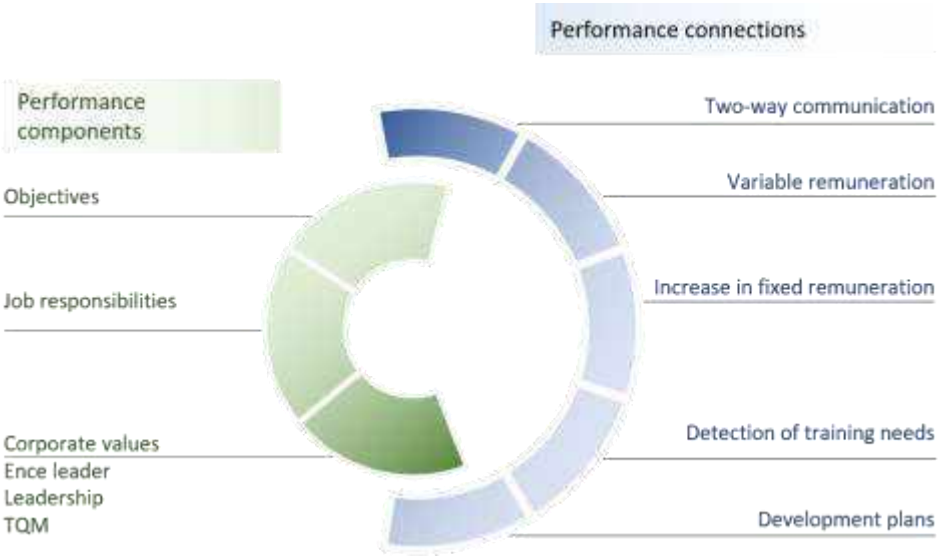
To manage people development, Ence uses the annual career plan and individual development plan (IDP) as tools, which takes the form of an annual development interview between each employee and their superior and is regularly monitored in One-on-One meetings. In 2020, Ence has also supported leadership development through corporate development and "leader coach" training programmes, with tailored coaching and mentoring programmes, and with the participation in Management Development.

Performance management is assembled through the annual talent and organisation review process based on:

- Establishing a clear vision of the organisation and the key positions of the company. In 2020, 70 critical positions were identified.
- The identification of key individuals and potential successors. Throughout 2020, 110 key actors and 320 successors were identified.
- Anticipating and preparing for upcoming movements and replacements.
- Identifying possible gaps and adopting the necessary corrective measures.

In addition, the performance management process, which includes annual development interviews, the career plan and the individual development plan (IDP), is carried out every year:

- Clarify what is expected of the position.
- Reinforce and recognise behaviours.
- Guide people towards development and progress.
- Aim all efforts towards Ence's objectives and challenges.
- Obtain people's commitment to Ence’s values and the Ence leader model: "support and guidance" from your collaborators.



These assessments are based on a continuous dialogue on goals, achievements, reinforcements and acknowledgements, where not only "what is achieved" through participatory management by objectives is analysed, but also "how it is achieved", "by what means" and "in what situations". The process is carried out through the annual performance interview and continuously throughout the year to all of the organisation's technicians and managers. The Performance Management model is being enriched with feedback from peers, managers and collaborators. (360 Evaluation).

The company wants to involve the entire chain of command in people management and human capital policies, making collaborators feel the trust and recognition of their superiors. For this reason, among other actions, the number of annual performance reviews carried out and the number of people participating in the participative management system by objectives are analysed, the latter with the annual variable remuneration.

In 2020, a total of 498 people took part in these performance evaluations, which represents 43,3% of the total workforce and 100% of the executive and individual contract workforce, demonstrating the company's commitment to this talent management system.

GRI 404-3:

Number of people who received variable remuneration 2020	443
Percentage of the total workforce	38.5%
Percentage of staff managers and individual contracts	93.7%

Number of performance evaluations carried out in 2020	498
Percentage of the total workforce	43.3%
Percentage of staff managers and individual contracts	100%

Number of people with fixed objectives in 2020	470
Percentage of the total workforce	40.9%
Percentage of staff managers and individual contracts	99.4%

In the case of contract staff, development interviews are conducted to identify their career plan and IDP. In 2020, 345 development interviews were conducted.

Training and development

GRI 404-1, GRI 404-2

As mentioned above, training and promoting the personal and professional development of all the people who work at Ence is one of the pillars of the People Strategic Plan and a strategic priority for the company.

As in the other areas, Ence's training activity in 2020 has been adapted to the health emergency situation, promoting and developing training via e-learning and adapting the duration and content to this format and to the teleworking situation of the workforce. In addition, as a result of the health emergency, specific training actions have been designed, such as training in coronavirus protocols or training in teleworking safety.

Total training hours delivered in 2020 reached 17,743 in the Group, i.e. 15.2 hours of training per employee.

Total training hours in 2020			
	Men	Women	Total
Training Hours	12,461.7	5281.65	17,743.35
Management	832.4	223.75	1056.15
Managers	903.8	113	1016.8
Technicians	4375.4	3325.7	7701.1
Team managers	997.95	0	997.95
Operators	4274.4	800.35	5074.75
Maintenance	534	0	534
Support and improvement	457.35	518.4	975.75
Clerical workers	86.4	300.45	386.85

Average hours of training in 2020			
	Men	Women	Total
Average number of training hours	15.23	19.66	15.21
Management	15.70	16.43	15.85
Managers	14.27	6.31	12.51
Technicians	20.89	26.95	23.13
Team managers	13.91	0.00	13.18
Operators	14.17	43.44	15.85
Maintenance	3.90	0.00	3.86
Support and improvement	9.37	11.31	10.31
Clerical workers	6.87	6.85	6.86

For the calculation of training hours per employee, the average number of staff for the year is used

The main training initiatives carried out in 2020 fall into the following 7 areas:

Occupational health and safety

Training to promote and integrate safe behaviours at all levels of the organisation.

Sustainability

To create links with the company's sustainability commitments

Digital transformation

To optimise processes, improve competitiveness and offer new added value

Environmental awareness

To sensitize all workers to the care and respect of the environment, as well as the responsible use of natural resources.

Regulatory compliance

- LOPD
- Diversity and equality
- Non-sexist language
- Stereotypes
- Protocol on digital rights and safeguards
- Code of conduct and anti-corruption policy

Operation and maintenance techniques

To train operators in the knowledge of the process and its technology, as well as their development within the profession.

Leadership development

To evolve towards a more participative management style, aimed at people in key positions, people managing teams, and people in development.

The following table shows the main specific training actions carried out in these areas, as well as the number of people trained in each of them:

Health and safety	
Training action scope	**Participants**
Coronavirus protocol/Covid protocol update	1541
Teleworking security	420
Security Process Management PSM/PSO/Particularly Environmental Hazardous Work	109
ISM- Atex/Confined Spaces/ Work at Heights/Chemical Hazards/Electrical Hazards	140
Forklift Trucks/Cranes and Hoists/Hazardous Goods	47
Firefighting/Emergencies/Defibrillators	142
Prevention of occupational hazards in biofactories	557

Leadership development	
Training action scope	**Participants**
Self-motivation	530
Leadership in OHS	44
Giving and receiving feedback	34
"Build your career plan" workshop	49
Leader coach	47
Development programme "boost your career, boost your talent"	30

Environmental awareness	
Training action scope	**Participants**
Environmental awareness/environmental impacts. Performance, analysis and communication	164
Environmental Preventive Observations (EPO)	89

Operation and maintenance technique	
Training action scope	**Participants**
PI Vision	256
Mission, Vision and Values-Management tools.	91
Drone Pilot	20
Black Belt	8
Industrial Boiler Operator	7
Fluff/Dissolving/Paper product	153
Calibration and BTG instruments	23

Sustainability	
Training action scope	**Participants**
Sustainability. Sustainability Master Plan: online objectives	926
Sustainability. Sustainability Master Plan: objectives in person	348
Sustainable forest management system/sustainability in harvesting biomass decalogue	64

Digital transformation	
Training action scope	**Participants**
Cybersecurity awareness	879
Teams (various levels), One Drive and share point/To Do and Stream	683
QGIS software	21
SAP Analytics	27

Regulatory compliance	
Training action scope	**Participants**
Protection of personal data	779
Diversity and equality	786
Stereotypes	769
Non-sexist language	798
Protocol on digital rights and safeguards	875
Code of Conduct and Anti-Corruption Policy	990
Criminal Compliance Policy	148

Welcome to Ence

To facilitate incorporation into the company and to accompany newly-arrived employees in their first days at work, Ence has an e-learning Welcome Plan, which can be found in the same human capital management tool AUNA in the training module and which includes:

- ✓ Company presentation
- ✓ Covid-19 protocol update
- ✓ Occupational health and safety
- ✓ Environmental awareness
- ✓ Sustainability
- ✓ Mission, vision, values-management tools
- ✓ Code of conduct and anti-corruption policy
- ✓ Criminal compliance policy
- ✓ Harassment prevention policy
- ✓ Information security procedure
- ✓ Protocol on safeguards and obligations in the field of digital rights
- ✓ Cybersecurity awareness

In addition, new employees receive the code of conduct, harassment prevention protocol, criminal compliance and anti-corruption policies, working time policy, health and safety policy, travel expenses policy and information security procedures to read and sign on the day they join. Ence thus ensures that new recruits take on the company's rules of conduct and values from day one.

Development and internal promotion

Ence is committed to developing talent and internal promotion as the basis for the professional development of its human team and as a key pillar for generating pride of belonging and commitment to the company. As a result of this commitment, there were 48 internal promotions in 2020.

In this sense, besides encouraging this internal promotions, special focus was also placed in 2020 on communicating the promotions that have been carried out, making them known to all company employees through channels such as the intranet, the up to date Ence corporate newsletter and the internal communication systems in offices and biofactories.

Support for the employability of young people in the area: Talent Programme

Ence's commitment to talent development is not limited to employees who are already part of the company. Ence is also committed to promoting the professional development and access to employment of young people in the areas where it operates.

To bring this commitment to life, Ence launched the Talento scholarship programme for recent graduates in 2015. With this programme, Ence offers young people the opportunity to begin their professional career by incorporating in several areas of the company, both in its corporate offices and in the different operations centres.

Each participant in the programme is assigned a mentor to oversee their development and learning and their performance is regularly assessed. The intern fills in the activity notebook that is reviewed by human capital to ensure learning in new areas throughout the scholarship period. In 2020, a total of 55 interns participated in the Talent Programme, exceeding the target set for the year (50 inters). Of the 55 participants, 14 have joined the Ence workforce after the final evaluation of the programme.

This programme also works for strengthening the link between the company and other stakeholders, such as the universities and other academic institutions from which the students come and thus promote the company's employer brand.

Diversity and equal opportunities

GRI 405-1:

Respect for people's dignity, equal opportunities and the rejection of all possible discrimination are fundamental ethical pillars of Ence. The company also understands diversity as a value-generating asset that encourages innovation and uplifts all employees personally and professionally. In this context, Ence considers diversity not only in terms of gender, but also in terms of cultural, generational, ideological, sexual orientation, skills and competencies, different capacities, and any other personal, physical or social condition.

Ence's principles of action in this area are defined in the Diversity and Equal Opportunities Policy, approved by the company's Board of Directors in 2018. Among other principles, this policy includes the rejection of any form of discrimination and Ence's commitment to promoting effective equality, both within the company and throughout its value chain.

Equality plan and objectives

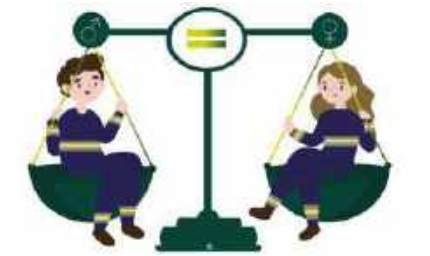
Ence's commitment to equality is embodied in the Equality Plan and the equality objectives that Ence periodically establishes. This Plan promotes the effective application of the principle of equality between men and women, guaranteeing equal opportunities for income and professional development at all levels of the organisation. In the same vein, the remuneration policy guarantees non-discrimination and remunerates competitively pursuant to market criteria.

The equality objectives are structured along five axes: professional development, selection process, pay gap, work/life balance measures and visibility and monitoring. Quantitative and qualitative targets are set for each axis and are reviewed periodically. The objectives set for the period 2019-2020 were:

1 Professional development	1. Introduce measures to avoid bias in advocacy processes. 2. Ensure equal representation of women in management development programmes, career plans and mentoring programmes.
2 Selection processes	3. One woman in the final shortlist of all selection processes 4. 20% of new hires [+/-5%] in Biofactories must be women 5. 40% of new recruits [+/-10%] of Directors and individual contract staff must be women 6. Achieve 50% representation [+/-10%] of women under 30 with a university degree by the end of 2019
3 Pay gap	7. Implement the necessary measures to increase internal equity. We ensure that there is no pay gap for women at each "step/biofactory" or "individual contract/general management level" that represents a range greater than 5% at its minimum point with respect to the average of her male peers.
4 Balance measures	8. Labour flexibility through the current working time system Extended time flexibility for mothers and fathers of children under 12, and creation of additional specific programmes for the balancing of professional and family life.
5 Visibility and monitoring (equality objectives)	9. Increase the visibility of the Equality Plan 10. Creation of a Technical Commission on Equality at Ence Group level whose main purpose is to ensure compliance with equality objectives.

Ence's Management Committee and Board of Directors monitor these objectives on a monthly basis and the **Technical Committee on Equality**, specially created for this purpose, meets at least quarterly to evaluate the fulfilment of the objectives and propose measures to facilitate and accelerate their implementation.

Of the 10 targets set for 2020, all have been 100% met except for No. 3 (to include at least one woman in the final shortlist of all selection processes), which has been met in 85% of cases. Despite Ence's efforts in this regard, the characteristics of the labour market have not made it possible to find female candidates for some of the positions required.



At the end of 2020, the Management Committee approved the update of the equality objectives, setting the following **objectives for the period 2021-2023**:

Thanks to the firm commitment to equality, Ence has managed to increase the presence of women in the workforce by almost 9% compared to 2019, tripling the percentage of women employed in the manufacturing industry in Spain.

Women accounted for 64% of new hires of managers and individual contracts and 71% of new hires of university graduates under 30.

Promotion and awareness-raising

For the deployment of its equality plan and objectives, Ence considers it essential to raise awareness among the entire workforce. For this reason, the company works to bring these objectives to the attention of the entire team and promotes the participation of employees in identifying areas for improvement. In addition, Ence promotes specific equality and diversity training activities (such as pills on stereotypes, non-sexist language, etc.) and internal and external communication initiatives to raise awareness of the company's efforts in this regard, such as the *#deexcepciónareferente*[from exception to example] campaign launched on International Women's Day.

Inclusion of people with different abilities in the labour market

Ence's Equality and Diversity of Opportunities Policy also establishes that the company will contribute to the inclusion of people with disabilities, creating specific integration plans and eliminating possible barriers (physical or otherwise) that hinder their effective integration. At the end of the 2020 financial year, Ence had 14 employees with disabilities on its workforce and the company provides them with all the means and conditions necessary to guarantee their access and allow the correct development of their duties.

Ence has also been collaborating for years with the Adecco Foundation to provide assistance to families in the Ence workforce with children with disabilities and in various initiatives, such as the promotion of disability week and the implementation of alternative measures for the exceptionality management. Ence also works with special employment centres and subcontractors.

In addition, as part of the Ence Pontevedra Social Plan, the company supports projects aimed at fighting the social exclusion of people with disabilities, such as the *"Encendete"* [Fire up] project of the Amizade Association, which seeks to improve the physical and emotional well-being of people with disabilities by offering psychological support, workshops and recreational and sporting activities, and the *"Vive el deporte, vive Pontevedra"* [Enjoy sports, enjoy Pontevedra] project of the Provincial Federation of Associations of People with Disabilities of Pontevedra - COGAMI, which aims to break down existing barriers in the practice of adapted sports and thus provide a sports offer that will enable people with disabilities to have access to leisure and sports activities in a recreational way, in an educational and inclusive environment. As part of the Social Plan, Ence has also contributed to the purchase of a vehicle for transporting people with disabilities for the Virgen de la O association for those with intellectual disabilities, so that the centre's users can attend on equal terms and receive the assistance they need to ensure the best quality of life, as well as enabling them to attend different sporting events and leisure and free-time activities.

Harassment prevention

In addition to promoting equal opportunities with its Diversity Policy, through the Harassment Prevention Policy, Ence commits to preventing, avoiding, resolving and penalising any cases of harassment that may occur, as an essential requirement to guarantee the dignity, integrity and equal treatment and opportunities of all the people who work for the company. During 2020, 2 complaints of harassment were received through the channels established for this purpose, and they were processed in accordance with the internal protocol. After applying the investigation protocol and with the intervention of external investigators, it was determined that there were no harassment situations as such, but an improvement plan was established for these specific cases

Work/life balance

Ence understands that work/life balance is a right for people who work in the company and at the same time a lever to generate satisfaction and pride in belonging. Thus, among the principles of action of Ence's Diversity and Equal Opportunities Policy, they ensure that working conditions allow employees to reconcile their work and personal lives, implementing measures such as digital disconnection or flexible working hours and promoting a work culture that facilitates work-life balance, rationalising, for example, meeting times, travel, etc. To articulate this commitment, Ence's Equality Plan establishes measures to facilitate work-life balance that go beyond the provisions of current legislation, such as: Breastfeeding leave with the possibility of accumulating it into full days.

- Maternity leave coverage
- Part-time maternity leave
- Promotion of face-to-face meetings (videoconferencing, etc.) to reduce the need for business travel
- Responsible meeting schedule (care is taken to ensure that working meetings do not extend beyond the mandatory working day).

As part of the value proposal that Ence has defined for staff not included in the collective agreement, the working time policy has been updated with the aim of increasing the flexibility of working hours and the employee's ability to organise their own working time, establish **digital disconnection** and implement mandatory presence throughout the year only from 9.00 a.m. to 1.30 p.m. In 2020, these commitments have been maintained when implementing the Covid-19 prevention protocols, especially in telework and de-escalation protocols.

GRI 401-3:

In this context, 57 employees took parental leave in 2020, of which 44 were men.

2020	M	F
Employees on parental leave	44	13
Joining after parental leave	41	10
Employees who continued in their position after 12 months of parental leave	32	7

Improvement of the organizational climate

Another of the fundamental objectives of Ence's human capital management strategy is to foster a positive organisational climate, so that all the professionals who make up the company feel proud to belong to the team and consider Ence a great place to work.

As a starting point to work on improving the organisational environment, Ence places special emphasis on knowing the opinion and degree of satisfaction of the people who work in the company through annual environment surveys following the Great Place to Work methodology.

The results obtained are used as a basis for defining and implementing measures that respond to the expectations and needs of employees. Thus, in November 2020, a new edition of the Workplace Environment Study was also launched, which was communicated to staff with a letter from the Chairman urging all employees to contribute their opinions and stressing the importance of helping to make Ence a great place to work.

In the 2020 edition of this Environment Study, an improvement of 13.1% has been recorded in the aggregate Climate indicator compared to the previous year's result, exceeding the average for its sector. The highest rated dimensions in the study were pride of belonging, camaraderie and fairness (equity and fair treatment). In 2020, these results have enabled Ence to achieve for the fist time the certification for being a great place to work (Great Place to Work certification).

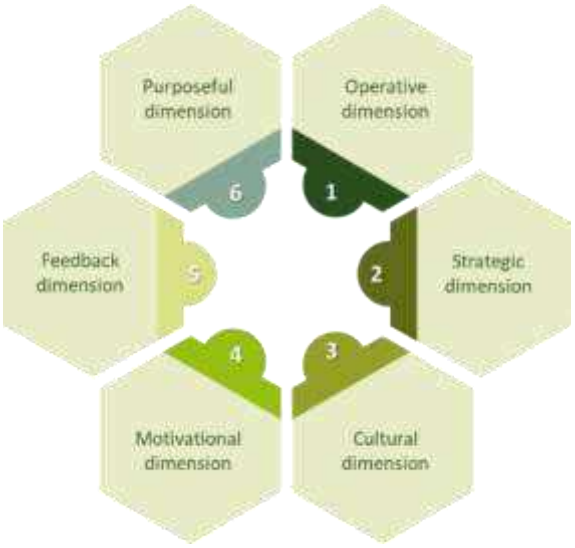
This progress has been achieved thanks to the actions that the company has put in place to work on environment improvement during 2020, among which the following stand out:

- **13,654 One-to-one meetings held**
- **Launch of 160 ENCE 10 monitoring partnerships**
- **843 Interviews in Ecuador/performance-development**
- **233 Acknowledgements made**
- **Implementation of Covid-19 teleworking protocol**
- **Reconciliation measures and working time policy**
- **Active listening**
  - Participants in working breakfasts: 985
  - Suggestions collected: 803
  - Participants in improvement activities: 3836
  - Participants in online meetings with the CEO (in 7 events): 3,138
  - Participants in Ence Directo (in 6 events): 1,264

In addition to the annual study, to get a feeling of the state of the organisational environment, in 2020 Ence continued to analyse the perception of its employees through monthly surveys, which addressed environment-related issues such as active listening by superiors or the feeling of belonging to the team, and others related to the company's reaction to the pandemic.

Internal communication and participation

Ence is aware that internal communication and the active participation of employees is a fundamental pillar for generating alignment and achieving the company's strategic objectives. One of the pillars of the strategic people plan is to make this communication more dynamic and promote the involvement of everyone in it, starting with the management team.



To work in this direction, Ence has developed an internal communication strategy structured in six dimensions:

In order to respond to the objectives set out in the plan, during 2020 numerous communication, participation, joint activities and dialogue measures were carried out with employees, including:

Actions of strategy and results communication.

- On-line meeting with the CEO.
- Quarterly meeting to report on results and business performance.
- Publication of results information on the corporate intranet, App and Beekeeper.
- Annual meeting of the Management Team, in which the main challenges of the following year were analysed with more than 100 managers from all areas of the company.

Communication actions and active participation and feedback.

- Working breakfasts with the CEO and the directors of each operations centre.
- “Toma la palabra” [Have your say] programme which consists in sessions where the CEO and the General Manager of Human Capital hear employees opinions and points of view first-hand.
- Ence Directo: presentations organised by the heads of different areas to share the strategy and objectives of each department with the rest of the company.
- “Hablemos” programme [Let's talk]: a space for meeting and dialogue between the counterpart teams of the different operations centres.
- Annual performance interviews
- "One-on-one" meetings with the direct superior.

Corporate volunteering actions and solidarity campaigns.

Ence also carries out corporate volunteering activities and solidarity campaigns involving its employees. In 2020, the following campaigns have been carried out:

- Fundraising campaign launched in Madrid, Galicia, Asturias and Huelva to provide basic necessities to people at risk of social exclusion due to the Covid 19 crisis.
- Cleaning of the Gafos and Lérez rivers with the NGO Cooperación Internacional.
- Campaign "ENCEndamos la Navidad", whose aim is to collect toys for families with little resources with the help of Caritas and the Red Cross.
- New edition of the Christmas greeting contest for the children of Ence employees.
- Collaboration with the Exit Foundation through the Eduo Project, in which Ence volunteer workers have given coaching and mentoring sessions to young people at risk of dropping out in order to reduce the risk of dropping out of medium level vocational education.

Another priority of Ence in this field is providing recognition and gratitude to the people who play a relevant role in some of the improvement activities that the company sets in motion. In 2020, various recognition events were held:

- Recognition of those evaluated as Leaders in the performance evaluation process.
- Annual recognition in the Huelva operations centre, Navia and Pontevedra biofactories and Supply Chain.
- Periodic recognition through the company's internal communication channels.

These actions have been implemented through different media and channels, among which digital tools such as the App “mi Ence” or the social network Beekeeper stand out, and including the monthly "Ence Today" newsletter, the corporate intranet, e-mail, announcements on panels and employee meeting points and monitors installed in Ence's biofactories and offices.

Labour relations and workers' rights

GRI 102-41:

At Ence, labour relations are based on dialogue, trust and co-responsibility, thus maintaining the relations framework necessary to be able to work on improving efficiency and productivity.

One of the objectives of the Strategic People Plan is to encourage proactivity in the management of labour relations, and the company is working to develop the relationship in three areas:

Communication
We evolved from informing to communicating. We share information openly, transparently and presented in an unambiguous manner to facilitate understanding.

Participation
We evolved from one-way reporting to participatory communication. The partners will be involved, establishing a dialogue between the parties, collecting, analysing and responding to each and every one of the contributions they make.

Building
We have evolved by building solutions together. We have shared challenges, potential opportunities and threats. We build and enrich business actions, carrying them out with a higher degree of consensus.

Within this framework, meetings were held in 2020 with workers' representatives to involve them in the company's strategy, request their participation and gather their proposals, with particular emphasis on the measures and protocols put in place to deal with the health emergency.

With regard to workers' rights, Ence operates in countries of the European Union where the risk of violation of workers' rights is low, since the administrations implement robust regulatory frameworks and control systems. Thus, Ence's collective agreements contain specific chapters that set out workers' rights to collective and union representation.

However, Ence's Code of Conduct sets out Ence's commitment to its employees in terms of protecting health and safety in working conditions, equal opportunities

and the prevention of interpersonal conflicts and harassment. Moreover, Ence's Sustainability Policy includes the company's express commitment to respect human rights and specifically the rights of workers as set out in the ILO Declaration on Fundamental Principles and Rights at Work and its conventions.

Ence also has mechanisms for employees to confidentially report practices that do not comply with the principles set out in the Code of Conduct and other internal company rules, as set out in the Ence Whistleblowing Channel Procedure.

Profile of the human team

GRI 401-1:

The profile of Ence's human team reflects the company's commitment to the generation of stable, quality employment. In this way, among Ence's employees, 88% have a permanent contract and 98,5% work full time.

In this regard, it should be noted that, despite the complicated situation generated by the health crisis, Ence has opted to maintain employment and has not implemented any workforce adjustment plans. In fact, the headcount in 2020 has increased by about 2% compared to 2019. Thus, during 2020, the average workforce during the year was 1166 people, ending at the close of 2020 with 1150 people in the workforce, 1148 in Spain and 2 in Portugal. 59% of them are covered by a collective bargaining agreement. The following tables provide a breakdown of the workforce in terms of professional group, type of contract and working day at year-end 2020; the difference between the workforce at year-end and the average workforce during the year is less than 5%, so it is not considered necessary to submit the same breakdown for the average workforce as both reflect equivalent and very similar information.

2020 Workforce by Professional Group - Spain			
PROFESSIONAL GROUP	M	F	TOTAL
CLERICAL WORKERS	11	46	57
From 31 to 50 years old	4	33	37
Up to 30 years old	2		2
Over 50 years old	5	13	18
SUPPORT AND IMPROVEMENT	48	45	93
From 31 to 50 years old	26	29	55
Up to 30 years old	4	6	10
Over 50 years old	18	10	28
GENERAL MANAGEMENT	50	12	62
From 31 to 50 years old	31	9	40
Over 50 years old	19	3	22
MANAGERS	61	16	77
From 31 to 50 years old	45	11	56
Up to 30 years old		1	1
Over 50 years old	16	4	20
MAINTENANCE	141	1	142
From 31 to 50 years old	102	1	103
Up to 30 years old	18		18
Over 50 years old	21		21
OPERATORS	290	19	309
From 31 to 50 years old	232	10	242
Up to 30 years old	34	9	43
Over 50 years old	24		24
TEAM MANAGERS	70	4	74
From 31 to 50 years old	54	3	57
Over 50 years old	16	1	17
TECHNICIANS	206	128	334
From 31 to 50 years old	136	82	218
Up to 30 years old	44	42	86
Over 50 years old	26	4	30
Total	**877**	**271**	**1148**

2020 Workforce by Professional Group - Portugal			
PROFESSIONAL GROUP	M	F	TOTAL
TECHNICIANS	1	1	2
From 31 to 50 years old	1	1	2
Up to 30 years old			
Over 50 years old			
Overall total	1	1	2

2020 Workforce by type of contract - Spain			
TYPE OF CONTRACT	M	F	TOTAL
PERMANENT	783	225	1008
From 31 to 50 years old	585	159	744
Up to 30 years old	56	31	87
Over 50 years old	142	35	177
TEMPORARY	94	46	140
From 31 to 50 years old	45	19	64
Up to 30 years old	46	27	73
Over 50 years old	3		3
Overall total	**877**	**271**	**1148**

2020 Workforce by type of contract - Portugal			
TYPE OF CONTRACT	M	F	TOTAL
PERMANENT	1	1	2
From 31 to 50 years old	1	1	2
Up to 30 years old			
Over 50 years old			
Overall total	1	1	2

2020 Workforce by workday type - Spain			
WORKDAY TYPE	M	F	TOTAL
Full time	872	259	1131
From 31 to 50 years old	627	168	795
Up to 30 years old	101	56	157
Over 50 years old	144	35	179
Part time	5	12	17
From 31 to 50 years old	3	10	13
Up to 30 years old	1	2	3
Over 50 years old	1		1
Overall total	**877**	**271**	**1148**

2020 Workforce by type of workday - Portugal			
WORKDAY TYPE	M	F	TOTAL
Full time	1	1	2
From 31 to 50 years old	1	1	2
Up to 30 years old			
Over 50 years old			
Overall total	**1**	**1**	**2**

2020 Workforce percentage by group - Spain			
GROUP	% MALE	% WOMAN	TOTAL
Individual contract	27.6%	13.5%	41.1%
Collective bargaining agreement	48.8%	10.1%	58.9%
Overall total	**76.4%**	**23.6%**	**100.0%**

2020 Workforce percentage by group - Portugal			
GROUP	% MALE	% WOMAN	TOTAL
Individual contract	**50.0%**	**50.0%**	**100.0%**
Collective bargaining agreement	-	-	-
Overall total	**50.0%**	**50.0%**	**100.0%**

Ence's commitment to generating stable quality employment also translates into low staff turnover:

	2018		2019		2020	
Age:	**M**	**F**	**M**	**F**	**M**	**F**
From 31 to 50 years old	1.6	0.8	0.37	0.34	0.34	0.29
Up to 30 years old	1	0.5	0.92	1.66	0.60	0.51
Over 50 years old	1	-	0.16	0.27	0.25	0.09
Overall total	**1.6**	**1.3**	**1.45**	**1.25**	**1.19**	**0.89**

Absenteeism in 2020 was 5.26% (107,514 hours), including sickness, occupational injury, maternity/paternity, paid and union leave.

Remuneration and welfare plans

As part of its talent management and retention system, for those employees not included in the collective agreement, Ence defines competitive remuneration policies that take into account the responsibilities of each position and the individual contribution of each person within a structure of salary levels and bands.

For employees who receive variable remuneration in addition to the fixed remuneration, the former is determined on the basis of achieving individual, organisational and business results. The annual salary review is linked to a merit matrix, which is based on the employee's situation in the salary band and performance in the position, guaranteeing equality and nondiscrimination.

Collective bargaining pay ensures a guaranteed minimum for individual contract staff as a whole and on an annual basis. In the tables below, the Ence Energía y Celulosa group and the Norte Forestal area are presented separately, as they are covered by different agreements and their conditions are not considered comparable for this reason. By contrast, the employees based in Portugal referred to in previous tables are included here in the Ence Energía y Celulosa block.

Average remuneration per group	2019	2020
Ence Energía y Celulosa	**€55,944**	**€52,109**
General management	€192,043	€139,482
Managers	€95,260	€91,373
Technicians	€55,158	€53,424
Team managers	€56,877	€59,516
Operators	€42,907	€44,383
Maintenance	€35,836	€38,451
Support and improvement	€41,760	€45,794
Clerical workers	€39,241	€40,984
Norte Forestal	**€14,533**	**€21,005**

Average remuneration by age	2019	2020
Ence Energía y Celulosa	**€55,944**	**€52,109**
Up to 30 years old	€42,132	€39,381
From 31 to 50 years old	€54,572	€51,597
Over 50 years old	€86,257	€74,267
Norte Forestal	**€14,533**	**€21,005**
Up to 30 years old		€20,508
From 31 to 50 years old	€14,600	€20,737
Over 50 years old	€14,406	€21,359

Note: Remuneration is not broken down by country, since in the case of Portugal the small number of employees (2 in total) makes it impossible to guarantee the confidentiality of personal information. The same is true for Norte Forestal, but it is not possible to report a breakdown by professional category as some categories have such a small sample of employees that the confidentiality of personal information could not be guaranteed.

Average remuneration by gender *GRI 405-2*	2019	2020
Ence Energía y Celulosa	€55,944	€52,109
Men	€55,958	€52,517
Women	€55,886	€50,495
Norte Forestal	€14,533	€21,005
Men	€13,290	€19,810
Women	€14,901	€21,293

The average effective remuneration for 2020, excluding the Management Committee, was €52,109 per year, including fixed and variable remuneration. In 2020 there has been a significant increase in remuneration at Norfor as a result of the signing of a new agreement during the year. For the rest of the Group, the average remuneration in 2020 is lower than in the previous year. This is because 2019 saw the payment of the LTI (Long Term Incentive) for the period 2016-2018, while it was not collected in 2020. In addition, in 2020, the remuneration of collective groups receiving short-term variable remuneration based on targets was lower due to a lower level of target achievement this year (in line with the company's results).

The Management Committee remuneration can be consulted in the company's Corporate Governance Report. In the case of employees covered by collective agreements, the collective agreements reflect the agreed remuneration schemes.

The measurement of the pay gap is done in hourly pay rate according to the methodology described in the *"Methodological guide for the assessment of the gender pay gap in the company"* published by the Club de Excelencia en Sostenibilidad, in its updated version (November 2020). In 2020, Ence Energía y Celulosa's average gender wage gap is 3.8%.

Pay gap	2019				2020			
	Ence Energía y Celulosa		Norte Forestal		Ence Energía y Celulosa		Norte Forestal	
	Mn	Md	Mn	Md	Mn	Md	Mn	Md
Gender pay gap	0%	11%	-12%	-13%	3.8%	4.9%	-7.5%	1.3%
Gender pay gap in terms of bonus*	-8%	31%	8%	-1%	16.1%	19.4%	1.0%	-5.1%

Mn: Mean; Md: Median

Proportion of employees who receive a bonus	2019				2020			
	Ence Energía y Celulosa		Norte Forestal		Ence Energía y Celulosa		Norte Forestal	
	M	F	M	F	M	F	M	F
Percentage of employees who receive a bonus	87%	77%	100%	100%	88%	81%	100%	90%

Proportion of employees in each salary band by quartile	2019				2020			
	Ence Energía y Celulosa		Norte Forestal		Ence Energía y Celulosa		Norte Forestal	
	M	F	M	F	M	F	M	F
Lower quartile	79%	21%	50%	50%	82%	18%	18%	82%
Lower Median Quartile	77%	23%	22%	78%	74%	26%	18%	82%
Upper Median Quartile	85%	15%	11%	89%	82%	18%	35%	65%
Upper Quartile	81%	19%	11%	89%	82%	18%	6%	94%

Gender distribution by quartiles	2019				2020			
	Ence Energía y Celulosa		Norte Forestal		Ence Energía y Celulosa		Norte Forestal	
	M	F	M	F	M	F	M	F
Lower quartile	24%	27%	50%	15%	26%	23%	23%	26%
Lower Median Quartile	24%	30%	25%	26%	23%	32%	23%	26%
Upper Median Quartile	27%	19%	13%	30%	26%	22%	46%	20%
Upper Quartile	25%	24%	13%	30%	26%	23%	8%	28%

In 2020 the pay gap has slightly increased compared to the previous year. This variation is due to several factors related to both fixed and variable remuneration. As far as fixed remuneration is concerned, this remuneration was frozen in 2020 for employees with individual contracts (a group in which women are more represented), while the fixed remuneration of employees within collective agreements was updated (where the presence of men is greater).

With regard to variable remuneration, on the one hand, the degree of achievement in 2020 of the short-term incentive was lower than in the previous year and, given that the percentage of female recipients is higher than that of men, this impact is more marked in women than in men. On the other hand, the Long Term Incentive (LTI) 2016-2018 was paid in 2019, while in 2020 no amount was due for this concept. Taking into account the greater representation of women in the group of workers benefiting from this type of variable, it can be concluded that the impact on women has been greater.

In the case of the Management Committee, the average pay gap between men and women in comparable positions is 10% in favour of women.

Salary gap management committee	2019		2020	
	Mean	Median	Mean	Median
Gender pay gap	-4%	-17%	-10%	-8%
Gender pay gap in terms of bonus	-14%	-11%	-104%	-149%

Note: For the calculation of the 2020 gap, the remuneration of all members of the Management Committee has been taken into account, in 2019 it was calculated taking into account people in comparable positions (corporate/cross-corporate vs. revenue generating operational areas)

Proportion of employees who receive a bonus in the Management Committee	2019		2020	
	M	F	M	F
Percentage of employees who receive a bonus	100%	100%	100%	100%

With regard to the members of the Board of Directors, the criteria established in the Policy on the Remuneration of Directors apply equally to all members of the Board, regardless of their gender or any other personal circumstance. The differences in the remuneration received in a specific financial year are determined by objective aspects established in that policy, such as membership of the various committees or, where appropriate, their status as chairmen of one of the committees. In 2020, the average remuneration of the members of the Council separated by gender was as follows:

Thousands of Euros	Total
Women	117.5
Men	114.9

Note: For the calculation of the mean remuneration, fixed remuneration, allowances and indemnities and the payment of long-term savings schemes have been taken into account, but variable remuneration has not been taken into account, as it is only received by the Chairman for his executive duties and not for his status as a director.

The individual remuneration of each member of the Board is reflected in the Annual Remuneration Report published by the company and available on its website and on the website of the Spanish National Securities Market Commission.

Taking into account the starting salary of the lowest category applied in Ence and the inter-professional minimum wage (IMW) in Spain, the proportionality is as follows.

GRI 202-1:

Proportionality between the IMW and lower-level salary at Ence			
Gender	2018	2019	2020
Man	1.21	1.05	1.30
Woman	1.21	1.09	1.30

Welfare plans

GRI 401-2:

In its commitment to attracting and retaining talent and as a sign of its commitment to people, in addition to monetary remuneration, Ence has designed a social benefits scheme to reward its employees. The welfare benefits offered by Ence include:

- Health insurance (payment of 50% of the insurance premium), to protect the health of employees and their families.
- Supplementary benefit of up to 100% of the real salary in ordinary working hours, for situations of temporary incapacity that are due to a common illness or accident.
- Life and accident insurance (payment of 50% of the insurance premium), to protect the employee and his/her family in all circumstances.
- Pension Plan, so that employees have a source of income in addition to retirement.
- Restaurant/factory dining room card (subsidised by the company through a restaurant card).
- Flexible Remuneration Plan, to contract products or services with tax advantages such as medical insurance, child care, transport card, training, etc.

Safe and eco-efficient operations

Ence's ambition is to develop the company's activity in a safe and exemplary manner regarding environmental matters, pursuant to the best market standards. To this end, Ence develops management systems and pioneering tools to guarantee the safety in operations and applies a focus on continuous improvement in environmental performance, in order to ensure not only the social licence to operate but also protection of the environment.

Ence's objectives in this area are to achieve zero accidents in operations and to adapt the plants to the best available environmental techniques according to the reference documents. In this regard, the company sets annual improvement targets for the relevant environmental vectors (water resources, emissions, waste, etc.).

By working along these lines, Ence contributes to SDG 8, promoting a safe and risk-free working environment for all workers, to SDGs 6 and 14, reducing water consumption and improving the quality of discharges, to SDG 7, improving the energy efficiency of the facilities, to SDG 13, reducing the consumption of electricity and fossil fuels in the plants, and to SDG 12, promoting a circular production system and the recycling and recovery of waste.

Health and safety

Ence's commitment to people's health and safety is one of the company's principles of action set out in its Code of Conduct. Ence sees safety as a fundamental tool for improving the effectiveness and efficiency of the organisation in general, as an integral element of the way it works. This commitment is integrated into the company's own values and the commitment to people appears in the first of them:

"Ence respects and listens to people, it recognises and values their work and contributions and their professional and personal development. It communicates, it generates relationships of trust and it actively promotes their safety and equality and a good working environment".

Furthermore, Ence not only aims to protect the health and safety of its employees, but of all the people who work for the company, including the contractors who provide services. For this reason, when setting targets and monitoring key indicators, Ence includes data not only from its own employees, but also from external personnel.

As vision in the field of safety, Ence believes that it is possible to develop its activities without accidents and therefore every year it sets ambitious objectives towards the ultimate goal of ZERO Accidents.

Security, understood and managed in this way, allows all the people who collaborate in Ence to develop themselves without the burden of accidents and incidents or the fear of suffering them, and is also a factor in the company's competitiveness.

Secure operations provide greater business predictability and help the company achieve its goals.

Principles of Ence's safety culture

GRI 403-4, GRI 403-5, GRI 403-6, GRI 403-7

Ence's approach to safety management is based on promoting a safety culture across the entire company. The principles on which this culture is based are summarised below:

Leadership and management responsibility

Ence encourages and demands a visible commitment to safety from management and the entire chain of command, which should be evident in their actions and daily management. Ence understands that excellence in safety is only achieved when the company's leaders also act as such, visibly and committedly managing safety in their areas.

Ence expects all its leaders and managers to lead by example, so that their exemplarity, visibility and credibility in safety will be the driving force behind an accident and incident-free work culture with leading edge safe practices.

All accidents and incidents can and should be prevented

Ence considers that accidents and incidents do not happen by chance, and therefore encourages constructive investigation of each one in order to prevent their recurrence. ENCE understands that each accident and incident are opportunities for improvement in the safety management system, opportunities to correct deficiencies before they can result in greater damage.

Training and education

Ence believes that safety, like all cultural aspects, is learned and trained, and therefore has a continuous focus on providing the necessary training and development, prior to each job, to each person (whether an employee or collaborator), so that they are sufficiently qualified to perform their tasks safely.

Continuous auditing

Ence understands safety, or accident prevention, as one of the fundamental pillars of continuous improvement and it is based on the cycle of planning, doing, checking and auditing (PDCA) in their daily routine. It is not enough to have and implement excellent plans, but a continuous auditing is necessary that enables verifying that they are still in place, that they have been understood, performed and maintained, as well as to detect and correct deviations.

Safety as a right and obligation

Safety is a condition of employment; it is the right of each person who wishes to develop themselves in their work without suffering the risks of injury or illness as a result of work conditions. At the same time, safety is everyone's obligation, as it requires everyone's contribution to achieve it. A careless or negligent attitude by one person can lead others into an unsafe situation that results in accidents or incidents. Ence's safety programme therefore involves the entire workforce, both its own workers and those of collaborating companies.

Integrating safety into the business

Safety is an inseparable part of all business processes, from the conception or study of a new activity, the design, construction, implementation or improvement process. All decisions and actions taken by the company’s management and its units take safety into account as a top priority.

Ence Tools for the management and improvement of Health and Safety

Within Ence's management culture, the following safety management tools are used, among others, which are based on the involvement of all employees to maintain a safe workplace:

Standard Operating Procedure (SOP)

All routine work is analysed from an operational and safety point of view and standardised by means of documents called SOPs, which list the tasks to be performed, their sequence, the points of special attention, the main risks and the associated preventive measures to minimise them.

This helps to consolidate the first step necessary for continuous improvement: standardisation. The improvement processes, in which the operators actively intervene, are based on the SOPs, which also represent the basis for training and knowledge transmission.

Work permits

All non-routine work that has an associated Standard Operating Procedure (SOP) requires the use of work permits. This tool consists of an assessment of the risks that this work presents: both those associated with the task and those associated with the process and/or installation conditions, as well as the establishment of preventive measures to control each of the risks identified. The risk assessment is done collaboratively between: the work planner, the person responsible for the area where the work is to be carried out, and the person carrying out the work.

Pre-access training

All persons who access Ence's facilities receive prior training and follow a rigorous protocol to ensure that they are knowledgeably able to perform their tasks. Additionally, each of the contractor companies follows a rigorous protocol of approval with the most advanced tools of Coordination of Business Activities, to ensure that they are excellently trained to perform safely the job they're hired to do.

Regular meetings with the management of contractor companies

The management of each of Ence's units meets periodically with the management of the main contractors in order to work in tandem to coordinate and improve safety. This activity is especially valued at Ence, as it is not possible to develop a good level of safety without clear leadership and involvement on the part of the contracted companies' management. In addition, contractors are evaluated on their safety performance, which is crucial in the new hiring and renewal process.

Particularly Hazardous Work (PHW)

Apart from the work permit procedure, it is an additional safety requirement at Ence to carry out safety studies and additional controls in the case of the so-called Particularly Hazardous Works (PHW). To this end, the company has established a procedure based on the following:

- Identifying all situations that may occur in the centres and have a high risk potential if not planned and carried out with high discipline.
- Developing specific plans for these works, which includes a step-by-step work plan for each of the stages that identifies risks and preventive measures.
- Involving all parties in the analysis: the planner, the area where the work is to be carried out and the executor.

All PHWs are informed and reviewed by the chain of command with the participation of the safety department. The Management Committee is informed and monitors the programme. During execution, all work categorised as Particularly Hazardous Work (PHW) is continuously monitored by the chain of command and at least one Senior Technician in Occupational Risk Prevention, to ensure that it is executed safely in accordance with the plan.

Its pioneering safety analysis standard for Particularly Hazardous Work (PHW) makes Ence a benchmark in the sector and in the industry.

Preventative Safety Observations (PSO)

For more than a decade, Ence has been training its managers and employees according to the most renowned safety practices focused on behaviour.

With this focus, each manager, from front-line functions to the Management Committee, performs Preventive Safety Observations (PSOs) consisting of small audits of about 45 minutes that aim to detect unsafe actions and conditions and correct them in a constructive manner.

They also serve to recognise good practices and reinforce them. They therefore contribute to creating and developing a strong safety culture.

Management system and audit programme

GRI 403-1:

Ence organises prevention through a Joint Prevention Service (JPS), which assumes the preventive specialisation areas of safety at work, ergonomics and applied psycho-sociology, and health surveillance.

The management model of the Joint Prevention Service is structured according to the international standard ISO 45001:2018, and some of the operations centres are already certified according to this standard. The rest are expected to be certified in the short term in this new standard, and, for the time being, they are certified in the standard OSHAS 18001: 2007.

This management model is based on the exercise of continuous improvement in order to: reduce the accident rate, ensure compliance with prevention legislation and promote the establishment of an integrated preventive culture at all levels of the company.

In this context, a programme of corporate audits, requested and supervised by the board of directors, is drawn up with the participation of reputable external audit bodies. These audits cover aspects of Occupational Risk Prevention, Industrial Safety, Regulatory or Structural Safety, among others.

The programme includes monthly follow-up activities by management at the highest level and reported to the Audit Committee to ensure that the action plan resulting from these audits is completed on time and effectively.

Objectives and actions for continuous improvement in Health and Safety

GRI 403-2:

At Ence, safety is part of the company's critical management variables and is one of the pillars of its sustainability master plan. As proof of this, security aspects are included in the scorecards reviewed by the Management Committee and the board of directors and are reviewed at all operational meetings of the organisation, given their high priority status.

In the annual strategic reflection processes, held by the management teams of each business unit, aspects related to Occupational Health and Safety are considered within the analysis and create general Fundamental Improvement Objectives (FIO) to reduce accidents and incidents.

As part of this process, work teams are formed in each unit, led by management and involving managers at all levels in order to implement the improvements needed that reduce the chances of accidents occurring and improve working practices.

Thus, targets for improvement in key safety indicators are set annually and included in the management team's short and long-term variable remuneration schemes (LTI).

Within the Strategic Plans that the organisation has developed in 2020 for the improvement of Health and Safety, and which it will continue to promote and develop in the coming years, it is worth highlighting the key lines of action:

Developing visible leadership of the chain of command

As proof of the organisation's commitment to safety, in 2020, the ENCE Safety Leadership Team (ELSE) was created in this context, with the presence of the company's CEO**,** the General Managers of the operational areas and the company's most senior safety professionals. This team reviews the progress of the organisation's main security improvement initiatives on a monthly basis, approves the corporate security standards that are being developed and reviews the main security KPIs. As part of the group's security strategy, it is planned to replicate this same model at the Operations Centre level in the coming years.

Different trainings have also been organised, at different levels within the chain of command, to highlight the importance of visible leadership and key aspects of cultural change in security.

Preventive Safety Observations (PSO) Improvement Plan

It enhances the strengths of the plan in place and eliminates identified weaknesses, focusing on: the time spent on observations and the number of participants, encourages the planned development of observations according to a timetable, eliminates any punitive nature of the observations and emphasises the constructive nature of a safety culture. Work has also been done to facilitate registration through a new, simpler and more intuitive computer application, accessible from electronic and mobile devices.

Process Safety Management (PSM)

During 2020, the foundations have begun to be laid for the development of a solid PSM strategy in the company that will identify critical areas from the safety point of view in the facilities of Ence's operations centres, implement the necessary management tools, develop the skills of the company's personnel and establish an operational discipline that will enable the development of the necessary safety layers to prevent incidents that could lead to serious accidents. Among the most significant tools being developed as part of this initiative are the following: the document and technological process management model, the Management of Change (MOC) system, the system for Pre-Startup Safety Review (PSSR)of installations and the development of a systematic Process Hazar Analysis (PHA) using HAZOP methodology.

Improving the level of safety management of contractor companies

This is one of Ence's main short and medium-term challenges in terms of safety. The company aims to improve the safety management of its collaborating companies through various initiatives, such as: regular improvement meetings with contractors led by Ence management, the establishment of safety performance indicators for contractors, training in the use of Ence's safety management tools and the development of a safety approval procedure for contractors, which enables them to be sorted out and is key to awarding future contracts.

Indicators of improvement

In Health and Safety, Ence uses two types of indicators. The fundamental safety improvement objectives of the company are focused on reducing loss indicators or "lagging indicators" such as the Frequency Index, which measures accidents resulting in sick-leave per million hours worked, or the Severity Index, which measures working days lost as a consequence of accidents resulting in sick-leave for each 1000 hours worked.

In addition, improvement objectives are also established in early indicators, or "leading indicators", which inform the degree of progress of proactive safety measures in the organisation, and are associated to a lower accident rate and a stronger safety and management culture. In this way, objectives are measured and established, among others, for the number of preventive safety observations, the number of audits carried out, the incidents that appeared and were researched,corrective and improvement actions carried out in time, etc.

Health and safety performance

Ence's main health and safety indicators are summarised below:

Number of accidents:

No. of accidents	2018				2019				2020			
	OS		ES		OS		ES		OS		ES	
	L	WL	L	WL	L	WL	L	WL	L	WL	L	WL
Pulp	3	8	3	2	4	4	5	13	4	14	4	6
Energy	1	5	4	16	2	4	11	25	3	5	6	14
Forestry	0	0	11	6	0	1	9	5	2	1	22	4
Total	**59**				**83**				**85**			

OS: Own staff; ES: External staff; L: accidents with leave; WL: accidents without leave. Note: the Termollano plant came into scope in 2019. In 2020 the Huelva 46 and Biollano plants came into scope.

Results separated by gender: In 2019, only one non-serious accident (without leave) involving a woman was recorded. In 2020, two of the accidents with leave recorded among own staff were women, one in the Energy area and the other in the Forestry area.

An analysis of the root cause is carried out for each accident and incident registered, following the procedure of investigation, registration and notification of accidents and incidents. With the aim of clarifying the main reasons for the accident, an action plan is drawn up which corrects every and each of the causes, in order to prevent the accident from happening again, and such plan is followed until its closure by the Management, and the lessons are then shared with all the group’s work centres, in order to have them benefit from the lessons learned from these accidents.

Frequency and severity indices:

Ence considers the safety of the people who work for collaborating companies to be as important as that of its own employees, which is why it includes data on both its own and external personnel in the frequency and severity index indicators.

Frequency Rate				
	2018	2019	2020	*2020 (obj.)*
Pulp	2.75	2.66	4.13	*2.5*
Energy	3.45	4.21	5.21	*3.87*
Forestry	8.76	5.86	12.8	*5.16*

Severity Index				
	2018	2019	2020	*2020 (obj.)*
Pulp	0.136	0.09	0.184	*0.087*
Energy	4.26	0.151	0.153	*0.145*
Forestry	5.018	0.258	0.544	*0.25*

The frequency and severity rates include both in-house and external staff. These indices are calculated according to the provisions of the National Institute of Occupational Safety and Health. (External staff hours are calculated based on their records in the application that manages plant accesses). Note: the Termollano plant came into scope in 2019. In 2020 the Huelva 46 and Biollano plants came into scope.

Results separated by gender:

	Frequency Rate 2020				Gravity Index 2020			
	OS		ES		OS		ES	
	M	F	M	F	M	F	M	F
Pulp	4.25	0	5.44	0	0.261	0	0.150	0
Energy	6.48	23.89	4.98	0	0.016	1.051	0.179	0
Forestry	3.20	7.57	16.05	0	0.074	0.386	0.675	0

M: men; F: women. In 2019 there was only one accident without sick leave involving a woman, so the rates for this group are 0. In 2020, the two accidents involving women were among the company's own staff, so the rates for women among external staff are 0. Note: the Termollano plant came into scope in 2019. In 2020 the Huelva 46 and Biollano plants came into scope.

In 2020, a negative trend has been observed in the frequency and severity rates, largely associated with a higher number of accidents, especially of subcontractors in the forestry area.

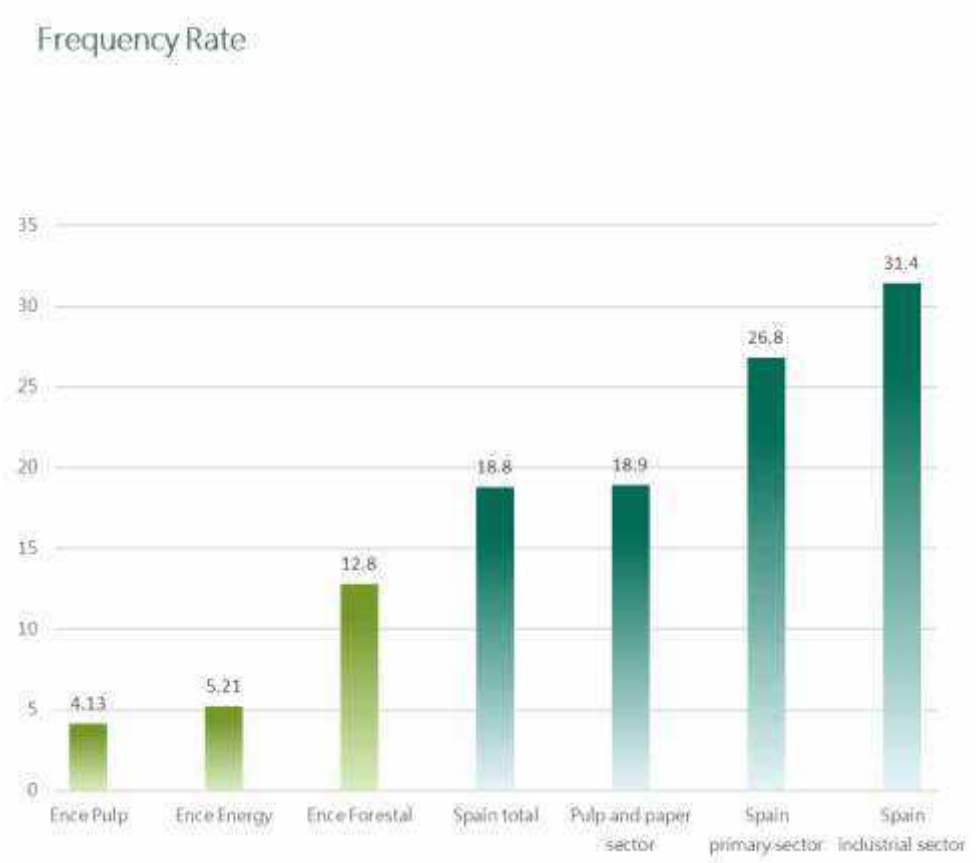
From the analysis of this deviation, two main causes can be identified:

- In the context of the Covid-19 pandemic, the measures to prevent this risk have meant that the time dedicated by Ence managers to supervision in the field has been reduced.
- In the economic context of Covid, and due to the increase in unemployment in other sectors, operators coming from other sectors, with less experience and knowledge of forestry activities, have started to work in the forestry sector.

These circumstances have meant that this year we have not been able to achieve the planned reduction targets, although the company's indicators are well below the main comparable accident rate indicators (see graph on the following page).

Even including its contractors, Ence's frequency rates are well below the Spanish average.

In the case of cellulose, Ence's frequency rate is almost 5 times below the average for the pulp and paper sector, while the frequency rate in the energy business is 6 times below the average for the industrial sector.



Ence 2020 data include own and contracted employees. FI data for Spain (total, primary sector and industrial sector) correspond to own employees (source: Ministry of Labour, 2019). FI data for the pulp and paper sector also correspond to own employees (source: ASPAPEL 2019)

Health surveillance

GRI 403-3, GRI 403-10

The main actions carried out in the area of health protection are detailed in the section Reaction to Covid, as pandemic protection has been the main focus in this area in 2020.

Besides that, in the area of health surveillance, annual medical check-ups are still being carried out following specific protocols defined according to the risk assessment of each post, and informative documents that delve into general health aspects are being created, thus promoting healthy living guidelines ("Ence por tu salud" [Ence for your health] bulletins).

Plans to promote healthy living focus on promoting a balanced diet, smoking cessation, promoting physical exercise and health testing (hypertension, obesity, uric acid, cholesterol, etc.).

The health surveillance service is also responsible for preparing the corresponding epidemiological studies and annual reports in the operations centres. In this regard, it should be noted that no case of occupational disease was recorded in 2020.

Environmental commitment

Respect for the environment is inherent to Ence's purpose and forms part of the commitments and principles of action established in the company's Code of Conduct and Sustainability Policy.

Caring for the environment is an important element of proper ethical conduct. The environment is a primary asset that Ence is committed to protecting and improving.

We are committed to conducting our activities in a manner that minimises negative environmental impacts and achieves a high level of safety in our processes, facilities and services, with particular attention to the protection of our employees, contractors, customers and the local environment.

Ence's commitment to environmental protection is materialised primarily through the company's own activity and its strategic vision:

- The activity of pulp production from local wood and certified sustainable forest management has positive environmental effects, as it puts natural, renewable and recyclable products on the market that can replace fossil fuel-based materials such as plastics. Furthermore, Ence's forestry activity not only contributes to removing carbon from the atmosphere, but also protects biodiversity and other forest ecosystem services.

- In the design of new products, Ence seeks to improve its environmental footprint and contribute to reducing the environmental impact of its customers' production processes. An example of this commitment is the development of Naturcell unbleached cellulose pulp, which has a lower specific consumption of materials, water and energy than standard pulp.

- In its renewable energy generation activity, Ence not only contributes to decarbonising the national electricity mix, but also, by recovering agricultural biomass, avoids the diffuse pollutant emissions produced when crop residues are burnt in an uncontrolled manner in rural areas, without any type of treatment system. Additionally, mobilising forest biomass

In addition to contributing to environmental protection through its own activities, Ence's principle is to carry out its industrial processes with the utmost respect for the environment, following the maxim of going beyond the legal limits established in the environmental authorisations of its facilities and applying the best available techniques and continuous improvement to reduce the environmental impact of its activities in terms of resource consumption, waste generation, emissions, effluents, noise and odours, among others.

Ence's commitment translates into significant investments to apply the best available techniques and improve the efficiency of the processes, allocating 23.5 million euros in environmental investments in 2020, of which 14.9 million were invested in the cellulose biofactories and 8.6 in the independent energy plants. Among the investments made, those corresponding to the projects to reduce water consumption in the biofactories and the dust reduction projects in the independent power plants stand out.

Thus, the company seeks continuous improvement in environmental performance driven by management and shared by the entire organisation. But Ence is aware that the environmental footprint of its activity transcends the operational scope of the company, which is why it extends its commitment to the environment throughout all the phases of its value chain, both in its forestry and cellulose production activities and in the generation of energy, focusing especially on the potential environmental impacts of its supply chain, and providing its suppliers with the highest level of environmental requirements in their operations.

Regulatory compliance and applicability of best available techniques

Even though the company’s ambition goes beyond legal obligations, the environmental commitment is based, firstly, on rigorous and exhaustive compliance with the regulations in force, where the requirements to be met by all activities related to the production of cellulose and the generation of renewable energy are established, as well as adaptation to Best Available Techniques (BAT) established in the BREF documents of the Pulp and Paper Industry 2014, adopted by the Environmental Committee of the European Parliament and BAT under Directive 2010/75/EU on large combustion plants on 2017.

In 2020, work continued on projects aimed at adapting plants for the implementation of Best Available Techniques in order to anticipate the entry into force of the BREF for Large Combustion Plants, scheduled for 2021. The work has focused on compliance with the new emission limit values, implementing different types of emission purification systems according to the needs of each plant and the incorporation of all technological, operational and management improvements.

The Integrated Environmental Authorisation (IEA) or Sectorial Authorisation of each biofactory and power plant establishes the conditions for the operation of the installation from an environmental point of view. It aims to avoid, or where this is not possible, to minimise and control emissions into the atmosphere, water and land.

In this way, the IEA or Sectorial Authorisation establishes the limit emission values for each installation based on the best available techniques as well as the monitoring plans for all relevant environmental aspects. Ence puts all the measures at its disposal to comply with and even improve these limit values established by the IEA and punctually informs the corresponding administrations of their evolution. The IEAs of Ence's plants are publicly available in the registers of the administrations of the corresponding Autonomous Communities.

Management approach and certifications

The environmental and care for the environment principles set out in Ence's Code of Conduct and Sustainability Policy are embodied in the company's management policy. Ence's environmental management goes beyond compliance with current legislation, applying the principles of prevention and precaution.

Since 2011, Ence has implemented the **TQM model** (Total Quality Management) model as one of cultural transformation and management practices, which addresses in an integrated manner the aspects of quality, health and safety of people, respect for the environment and **pollution prevention**. An Environmental Policy is defined within the framework of this model, which establishes the company's general objectives on the matter, and a series of **Fundamental Improvement Objectives (FIO)** are established with a clear environmental orientation that is aimed to:

- Reducing the impact of odours (biofactories)
- Reducing the acoustic impact
- Reducing the impact on air quality
- Improved discharge quality
- Improved energy efficiency
- Reduction of water consumption
- Reduced consumption of raw materials
- Waste reduction
- Improvement of Management Systems

Ence is also aware of global environmental challenges, such as climate change, the protection of biodiversity and the transition to a circular economy, and takes them into account when designing its environmental strategy and objectives. Similarly, Ence analyses the expectations and concerns of its stakeholders, including its customers and the communities surrounding its operations centres, and prioritises those aspects that are most relevant to its stakeholders or that may compromise the company's social licence to operate when setting environmental improvement targets.

Within the TQM model, operational standards have been developed that favour the control and management of possible environmental impacts through the identification and management of risks with the potential to affect the environment. Moreover, in line with the goals set by these FIOs and within the framework of the TQM management model, improvement actions are developed according to the PDCA cycle (Plan, Do, Check, Act).

As part of the drive for continuous improvement, actions have also been developed for the management of daily activity and process controls within the SDCA cycle (Standardize, Do, Check, Act), with the aim of maintaining the stability of the results by reducing variability in the processes, and with that, improve the environmental performance of installations.

The improvement in the control of processes with the PDCA and SDCA cycle and the operational improvements of the key process indicators (KPIs), enable Ence to achieve results that certify the effectiveness of this management model.

In 2020, Ence has also implemented a pioneering tool that comes from health and safety management and has been adapted for application to the environmental sphere. It is the **Environmental Preventive Observations** (EPO), a customised awareness-raising tool to improve the environmental performance of operations through the behaviour and work of employees. It is a tool similar to the OPS (see p. 141) but focused on detecting actions and conditions that may have negative environmental impacts and correcting them in a constructive way. This tool also serves to identify and recognise good practices and to consolidate a culture of environmental commitment throughout the organisation.

Along the same lines, and applying the good practices acquired in safety management, Ence has implemented a tool for the identification and control of **Particularly Environmental Hazardous Work (PEHW)** through a procedure that requires the following:

- Identify those actions to be carried out at the operations centres that have a high potential risk of affecting the environment if they are not carried out according to specific planning and execution criteria.
- Design the planning of these actions step by step, identifying risks and preventive measures in each of them and involving all the areas involved in the analysis and always the environmental area.
- Once planning has been defined, the PEHW must be reviewed by the chain of command and submitted to the Environment technical team for approval or modification. After approval, PEHW are implemented with special monitoring to ensure that the planned schedule is adhered to. The Management Committee is informed of the progress of the programme, sponsors it and supervises it.

GRI 102-11

This tool is an example of the practical application of the **precautionary principle** by Ence, as efforts are focused on proactively analysing the possible risks and impacts that the development of a certain activity could have before starting it up, even when not all the desirable information is available or when it is the first time the activity is going to be carried out. In this sense, Ence puts the safeguarding of environmental values before the activity is carried out, and its execution is not approved until the company's management considers that the preventive measures are sufficiently robust. Throughout 2020, more than 100 PEHWs have been managed.

Identification and management of environmental risks

The identification of risks is carried out within the framework of the Environmental Risk Analyses carried out on the basis of the Environmental Responsibility legislation and in the periodic evaluations framed within the Environmental Management Systems implemented by the company. These tools are used to identify situations that, although remote, could cause environmental damage and to establish actions to mitigate such risks. As additional tools to those mentioned above, periodic internal and/or external audits are carried out to identify and evaluate the application of existing prevention measures in the plants.

In this regard, Ence is also developing a management of change (MOC) system to assess, prior to the implementation of any change in the industrial process, the consequences it could have on safety, health and the environment, including the impact on the surrounding communities,

and to establish the necessary preventive or mitigation measures. Although some of the facilities already work with similar procedures, the procedure will be rolled out as a corporate standard in 2021.

Ence has also started to work in 2020 on the systematic integration of sustainability criteria in decision-making on new projects, which is another example of the application of the precautionary principle in the company.

Provisions and guarantees for environmental risks

The Ence facilities to which Act 26/2007 of 23 October 2007 on Environmental Liability applies are exempt from providing financial guarantees in accordance with section a) and b) of article 28 of the aforementioned Act because they are members of the European environmental management and audit system EMAS and/or the environmental management system UNE-EN ISO 14001 or because the assessment of the damage potentially caused is less than 300,000 euros. The only exception is the Mérida power plant, for which a guarantee of €839,939.99 has been provided. Ence has also taken out an environmental liability policy with a general limit of 40 million euros per claim and in annual aggregate, for all the guarantees and coverages of the policy.

Provisions regarding probable or certain liabilities, litigation in progress and outstanding indemnities or obligations of an undetermined amount of an environmental nature, not covered by the insurance policies taken out, are established when the liability or obligation giving rise to the indemnity or payment arises. There are no provisions made for this item at the end of 2020.

Integrated management system

Ence has also developed an Integrated Management System at the biofactories in Pontevedra, Navia and at the energy operations centres in Huelva, Biollano and Termollano, in order to ensure that all of the company's activities are carried out in accordance with the management policy established by the management and the objectives and goals defined. This integrated management system is certified by an accredited independent body that carries out the corresponding audits annually. Management is organised by established and evaluated processes to facilitate monitoring and continuous improvement. The integrated management system is implemented pursuant to the following international standards:

- UNE-EN-ISO 9001, for quality management
- UNE-EN-ISO 14001, for environmental management
- OHSAS 18001, for occupational health and safety management
- ISO 45001
- UNE-EN-ISO 50001

In addition, both biofactories and the Huelva energy operations centre were pioneers in their respective regions in joining the European Union's Eco-Management and Audit Scheme (EMAS), a demanding voluntary commitment only undertaken by a small number of companies. To access and remain on this register, the centres must have their annual Environmental Statement, a document in which the main environmental performance indicators of the facilities are reported, as well as their annual objectives and their level of compliance, carried out and audited by an independent accredited body. The Environmental Declarations can also be consulted on the Ence website.

Other certifications of environmental excellence

The excellent environmental development achieved by the Ence biofactories has granted the cellulose produced in Pontevedra and Navia, since 2014, the Nordic Swan label (the official eco-label for the Nordic countries established in 1989 by the Nordic Council of Ministers, made up of Sweden, Denmark, Finland, Iceland and Norway) for complying with the most demanding standards of environmental respect. After a rigorous process of assessing the environmental impact of products throughout their life cycle, this eco-label ensures compliance with their stringent requirements in terms of climate change mitigation, energy efficiency and use of resources (water, chemicals and raw materials).

In 2019, the cellulose produced in the Navia and Pontevedra biofactories was also validated as a raw material according to the European Union Decision 2019/70, which establishes the EU Ecolabel criteria for graphic paper, tissue paper and tissue products.

In addition, the two biofactories and the biomass plants of Enemansa and La Loma have the AENOR Zero Waste certification, a seal that recognises the most efficient waste management and recovery facilities.

The Pontevedra biofactory was also recognised in 2015 for its environmental performance with the European Commission's Gold Distinction and has certified its energy management system in accordance with the UNE-EN-ISO 50001 standard.

The following table summarises the scope of the different certifications of Ence's operations centres:

Site	ISO 45001	OHSAS 18001	ISO 14001	ISO 9001	ISO 50001	EMAS	Zero Waste	Nordic Swan	EU Ecolabel
Pontevedra Biofactory	✓	✓	✓	✓	✓	✓	✓	✓	✓
Navia Biofactory		✓	✓	✓		✓	✓	✓	✓
Huelva Energy Complex	✓	✓	✓	✓		✓		N/A	N/A
Mérida Plant	✓	✓	✓[1)]					N/A	N/A
Lucena Plant	✓	✓						N/A	N/A
Enemansa Plant	✓	✓					✓	N/A	N/A
La Loma Plant	✓	✓					✓	N/A	N/A
Biollano Plant	✓		✓					N/A	N/A
Termollano Plant	✓	✓	✓					N/A	N/A
Forestry		✓						N/A	N/A

(1): the Mérida plant has the management system in place, pending certification.

Below is detailed information on Ence's environmental performance, organised into four main areas of action: moving towards a circular economy, boosting energy efficiency, reducing the water footprint and guaranteeing the social licence to operate.

Moving towards a circular economy

Ence contributes to moving towards a circular economy by placing products from renewable sources such as cellulose pulp on the market, which Ence's customers in turn use to manufacture recyclable and biodegradable end products. In the energy business, Ence offers a solution for the management of agricultural and forestry waste, valorising biomass for the generation of renewable energy and circularising these sectors, which are so important for the rural environment.

Ence also applies the principles of the circular economy in its own production processes, seeking alternatives to reduce the specific consumption of materials and to minimise the generation and recover as much waste as possible.

Material consumption

GRI 301-1, GRI 301-2, GRI 301-3

In the cellulose pulp production process, the main raw material used by Ence is wood, mainly from eucalyptus and local sources (100% of the timber used comes from the Iberian peninsula). The wood is used in full, using cellulose for producing the pulp and the rest (lignin, bark) as fuel for energy production.

In addition to wood, the production of cellulose paste requires chemicals (soda, bleaching agents, etc.) that are used to separate and process the cellulose and other reagents used to process the effluents and waste generated, thus minimising its environmental impact. Most of the reagents used in the cellulose production process are recovered and reincorporated into the production cycle. In this way, lime, soda and sodium sulphate are recovered.

Responsible use of chemicals

In application of Regulation 1907/2006 on the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH Regulation), Ence verifies that the chemicals it uses comply with this regulation before authorising their use. In accordance with this regulation, Ence has therefore registered: calcium oxide, calcium carbonate, chlorine dioxide, white, green and black liquids, ashes (from the biomass boiler) and dregs (inert elements from clarifying the green liquid). All the requirements of this regulation have also been incorporated into the Integrated Management System.

Ence also actively participates in the registered substances consortia in order to update the registration if there are any changes in the composition or new identified uses. Although pulp paste does not have to be registered as a natural substance since it is not chemically modified and not classified as dangerous, REACH requires that information is collected on customer uses due to the registered substances present in the final product. Ence also requires that its suppliers have registered the substances supplied for specific use in the production process, that all substances have the relevant safety data sheets and that they are correctly labelled pursuant to current European regulations.

As a measure to reduce the environmental impact of its cellulose production process, Ence is committed to chlorine-free bleaching in its biofactories, using the ECF (Elemental Chlorine Free) process at its Navia plant, in which elemental chlorine is replaced by chlorine dioxide to prevent

dioxin contamination. At the Pontevedra biofactory, Ence uses a TCF (Totally Chlorine Free) process, in which no chlorine compounds but rather hydrogen peroxide are used as a bleaching agent.

Ence also promotes the use of Best Available Techniques (BAT) such as delignification with oxygen or modified low kappa firing, which significantly reduce the consumption of bleaching agents.

Ence also applies these principles from the **product design** phase, devising cellulose products with lower specific chemical consumption. The best example of this to date is the development of Naturcell unbleached pulp, which does not require bleaching agents and therefore has a much lower specific chemical consumption. Thus, its abiotic depletion potential, measured in kg Sb eq, is 53% lower than that of standard cellulose pulp.

In the case of energy generation plants, the main material consumed is biomass used as fuel, mainly agricultural and forestry biomass and pomace. In power generation plants, chemicals are also used to treat effluents and waste, such as ammonia, which is used to reduce the amount of NOx in fuel gas. In Huelva, sand is also consumed for the fluid bed boiler.

As for the nurseries, the main materials used are substrates and fertilisers and the reuse of materials such as seedling trays, as well as wooden pallets and substrate to fill mother plants is promoted:

The consumption of the main materials used in Ence's operations centres is the following:

Timber consumption (x10^6 m3)			
Site	2018	2019	2020
Navia	1.62	1.4	1.8
Pontevedra	1.29	1.33	1.32
Total	**2.91**	**2.73**	**3.1**

Biomass consumption (thousand of t)			
Site	2018	2019	2020
Navia	380.6	361.9	384.7
Pontevedra	248.4	227.7	256.1
Huelva	645.9	564.5	773.4
Mérida	168.2	150.2	190.8
Enemansa	96.4	96.6	78.3
La Loma	77.3	77.3	90.1
Lucena	96.6	103.4	106.2
Biollano			206.7
Total	1713.40	1581.50	2086.2

Soda consumption (t)

Sulphuric acid consumption (t)			
Site	2018	2019	2020
Navia	18,552.0	16,116.0	17,120.5
Pontevedra	5271.0	5095.0	5177.6
Huelva	59.0	110.0	166.0
Mérida	12.9	13.9	20.2
Biollano			10.5
Termollano		9.7	3.9
Total	**23,894.9**	**21,344.6**	**22,498.7**

Chlorate consumption (t)			
Site	2018	2019	2020
Navia	14,435	11,697	12,191
Total	**14,435**	**11,697**	**12,191**

Carbonate consumption (t)			
Site	2018	2019	2020
Navia		433.7	278.7
Pontevedra			3.3

Site	2018	2019	2020
Navia	8303.0	10,052.0	13,798.9
Pontevedra	10,146.0	9151.0	9849.0
Huelva	409.4	634.5	860.9
Mérida	1.3	1.1	2.5
Biollano			1.7
Termollano		2.4	1.5
Total	**18,859.7**	**19,841.0**	**24,514.6**

Hydrogen peroxide consumption (t)			
Site	2018	2019	2020
Navia	4228.0	3663.0	3770.9
Pontevedra	8454.0	9426.0	7672.1
Total	**12,682.0**	**13,089.0**	**11,443.0**

Nitrogen consumption (t)			
Site	2018	2019	2020
Termollano		114.2	101.1
Total		**114.2**	**101.1**

HTF consumption (t)			
Site	2018	2019	2020
Termollano			47.0
Total			**47.0**

Other materials consumed in nurseries (t)			
Material	2018	2019	2020
Substrate	725.4	816.3	451.2
Fertiliser	10.9	3.9	3.1

Materials reused in nurseries (t)			
Material	2018	2019	2020
Seedling trays	151.6	269.2	232.56
Wooden pallets	17.6	10.3	5.42
Substrate	38.9	-	15.39
Total	-	**433.7**	**281.9**

Oxygen consumption (t)			
Site	2018	2019	2020
Navia	8922	9260	11758
Pontevedra	8922	9333	9794
Total	**17,844**	**18,593**	**21,552**

Ammonia consumption (t)			
Site	2018	2019	2020
Huelva			631.7
Mérida		58.2	309.0
Enemansa	236	253	222.3
La Loma	135.3	393.2	425.8
Biollano			760.9
Termollano		1.7	0.7
Total	**371.3**	**706.1**	**2350.4**

Sand consumption (t)			
Site	2018	2019	2020
Huelva	6421.0	12,510.0	9703.1
Mérida		8.9	
Total	**6421.0**	**12,518.9**	9703.1

Lime consumption (t)			
Site	2018	2019	2020
Navia			7706.8
Pontevedra			4323.9
Huelva			42.4
Mérida		8.9	47.8
Total	-	**8.9**	**12120.9**

Notes: biomass consumption of biofactories includes biomass from debarking of wood. The Biollano plant became operational in 2020. The Termollano plant entered the reporting scope in 2019 and, although it was sold by Ence in December 2020, the reported data corresponds to 2020 as a whole.

Waste minimisation and recovery

GRI 306-1, GRI 306-2, GRI 306-3, GRI 306-4, GRI 306-5

Ence also applies the principles of the circular economy in its production processes, committing to the prevention and minimisation and recovery of waste through strict operational control of its processes.

In this regard, one of the objectives set in the company's Sustainability Master Plan is to obtain AENOR's Zero Waste certification (Regulation RP-CSG-057), which recognises organisations that recover the different fractions of waste they generate, and thus avoid depositing it in landfill sites. The Pontevedra biofactory was the first facility to achieve this certificate in 2019 and in 2020, both pulp biofactories and the Enemansa and La Loma plants have obtained the certificate. Ence's goal is to achieve certification for all its facilities by 2021.

The focus on waste prevention and recovery has meant that, by the end of 2020, the average amount of waste reused, recycled or recovered at Ence's facilities will reach 98.2%, i.e. less than 2% of the waste generated was sent to landfill.

The main waste streams generated at Ence's plants can be reused for different purposes: the limestone sludge generated at the biofactories can replace chemicals in the neutralisation of effluents and the ashes from biomass combustion can be used in the manufacture of technosols or fertilisers. Aware of this potential, Ence is committed to researching other possible uses for its waste.

Thus, since 2019, Ence has been participating in two EU LIFE projects focused on recovering this type of waste:

- The iCirBus 4Industries project to research treating solutions for sewage sludge with combustion ash from biomass plants to obtain low-impact fertilisers and building materials.
- Renatural NZEB project, focused on sustainable construction. Specifically, Ence is collaborating in the research line to incorporate biomass ash in the manufacture of concrete.

Qualification of ash and slag as a by-product.

One of the main waste streams at Ence's power plants is the ash generated at the biomass combustion facilities. These ashes contain a high concentration of soluble potassium, which makes them particularly interesting as a substitute for commercial potash. Ence, aware of the value of this material, has been a pioneer in promoting its reuse and its value in the market.

Taking into account the conditions for consideration as a by-product established in the Waste Framework Directive and its transposition into Spanish law (Act 22/2011, of 28 July, on waste and contaminated soils), Ence has applied to the Ministry of Ecological Transition for the

classification of this ash as a by-product and has obtained a positive response for the ash produced at the La Loma, Lucena and recently Huelva 46 plants. As a result, these ashes are now incorporated into the fertiliser manufacturing process. Ence has initiated the same procedure for the ashes from the rest of the plants, and is awaiting a resolution from the Ministry.

Non-hazardous waste generation (thousands of t)			
Site	2018	2019	2020
Navia	44.9	65.4	52.2
Pontevedra	47.8	47.9	39.3
Huelva	141.5	126.2	136.5
Mérida	29.2	33.6	46.2
Enemansa	14.5	12.6	9.2
La Loma	10.0	10.0	4.0
Lucena	0.0	0.0	0.0
Biollano			22.8
Termollano		0.2	0.0
Total	**288.0**	**295.9**	**310.1**

Hazardous waste generation (t)			
Site	2018	2019	2020
Navia	379.1	106.4	194.3
Pontevedra	156.9	185.2	113.1
Huelva	304.8	141.9	315.7
Mérida	2.8	3.4	3.8
Enemansa	2.4	1.2	15.6
La Loma	0.9	1.7	26.4
Lucena	2.1	5.4	8.2
Biollano			2.1
Termollano		263.5	96.0
Total	**849**	**708.7**	**662.1**

Total waste generation (thousands of t)			
Site	2018	2019	2020
Navia	45.2	65.5	52.4
Pontevedra	48.0	48.1	39.4
Huelva	141.9	126.3	136.8
Mérida	29.2	33.6	46.2
Enemansa	14.5	12.6	9.2
La Loma	10.0	10.0	4.0
Lucena	0.0	0.0	0.0
Biollano			22.8
Termollano		0.5	0.1
Nurseries	0.03	0.02	0.01
Total	**288.8**	**296.6**	**310.9**

Recovered waste (%)			
Site	2018	2019	2020
Navia	95.9%	97.2%	96.8%
Pontevedra	100.0%	99.8%	100.0%
Huelva	99.1%	98.7%	98.2%
Mérida	100.0%	100.0%	100.0%
Enemansa	100.0%	100.0%	100.0%
La Loma	100.0%	99.6%	99.3%
Lucena	71.8%	100.0%	97.6%
Biollano			93.5%
Termollano		39.0%	94.7%
Total	**97.8%**	**99.3%**	**98.2%**

Notes: The Biollano plant became operational in 2020. The Termollano plant entered the reporting scope in 2019 and, although it was sold by Ence in December 2020, the reported data corresponds to 2020 as a whole.

The main waste streams generated in Ence's activities are dregs, ashes and bio-sludge in the biofactories (accounting for around 80% of the waste generated) and ashes and slag from the biomass boilers in the power plants (around 75% of the total waste generated). The waste generated is collected and managed by authorised managers in accordance with current regulations. In the case of Huelva, 2020 has seen an increase in the amount of hazardous waste generated as a result of the dismantling of the former cellulose production facilities. This increase is not related to the normal operation of the plant.

Regarding **packaging**, Ence uses a type of paper to protect the pulp it sends to its customers that can be incorporated directly with the pulp in the transformation process, so that the customer does not have to discard it. In addition to paper, the other packaging material used is wire for closing the pulp bales. Once received at its facilities, the binding and unitised wire can be valorised by Ence's customers.

Packaging materials (t)						
Site	Navia			Pontevedra		
Material	2018	2019	2020	2018	2019	2020
Wrapping paper	998	972.31	1223.1	953.9	1108.1	1120.0
Tied and unitised wire	1068.1	950.5	1253.6	1060	1090.0	1063.7

Emissions into the atmosphere

GRI 305-7:

As with waste generation, Ence's circular economy approach to its production model aims to reduce emissions into the atmosphere. For this reason, the monitoring and improvement of emission parameters is another of the company's environmental management objectives at all its facilities.

This is why biofactories as well as Ence's energy plants have continuous measurement systems to monitor the main emission parameters and to ensure not only that the emission limits established in the corresponding environmental permits are not exceeded but, in accordance with their management system based on continuous improvement, they can be gradually improved. In this regard, Ence has also continued to work in 2020 to adapt its facilities to the new emission limit values indicated in the BAT document in those plants where this has been necessary.

The main milestones achieved in 2020 in this environmental area can be summarised as follows:

- At the Navia biofactory, thanks to the improvements implemented with the project to expand the capacity and technological optimisation of the facilities (Navia80), the evaporation line has been optimised, **reducing SO_2 emissions by almost 50%** and increasing the particle abatement capacity with the implementation of a new field to the purification equipment, with a significant reduction in emissions. In addition, the capacity of the electrostatic precipitator of the lime kilns has been improved, achieving a reduction in particle emissions and improving NOx control.
- At the Mérida plant, the new desulphurisation (to ensure compliance with SO_2 reference values) and selective non-catalytic NOx reduction (SNCR) systems in the flue gases have been commissioned.
- At the Huelva 41 and Lucena plants, the launch of bag filters for the reduction of particle emissions is consolidated.

The emissions of the parameters established in their corresponding environmental authorizations for Ence's operations centres are detailed below:

NOx emissions (t)			
Site	2018	2019	2020
Navia	1490.60	1012.80	1223.20
Pontevedra	589	649	842
Huelva	476	407.6	521.3
Mérida	218.4	238.5	189.4
Enemansa	105.5	105.8	121.4
La Loma	327	140.6	110.3
Lucena	353	394	390
Biollano			133.1
Termollano		0.6	1.2
Total	**3559.5**	**2948.9**	**3531.9**

SO2 emissions (t)			
Site	2018	2019	2020
Navia	130.2	98.3	49.7
Pontevedra	172	106.5	165
Huelva	197	93.1	75
Mérida	43.5	40.5	51.4
Enemansa	0.3	0.1	0.4
La Loma	132	1.5	0.7
Lucena	113	115	107
Biollano			1.3
Termollano		0.3	3.9
Total	**788**	**455.3**	**454.4**

CO emissions (t)			
Site	2018	2019	2020
Pontevedra	142	147.5	240
Mérida	171.6	152.7	187.2
Huelva			826.2
Enemansa	120.4	84.3	173.1
La Loma	120	634.6	498.3
Lucena	697	753	723
Biollano			215.9
Termollano		0.4	0.4
Total	**1251.0**	**1772.5**	**2864.1**

Particulate matter emissions (t)			
Site	2018	2019	2020
Navia	132.5	111.9	102.4
Pontevedra	132	141.5	195
Huelva	9.7	13.4	9.1
Mérida	4.1	6.4	5.5
Enemansa	0.8	0.8	1.2
La Loma	229	1.8	2.1
Lucena	53.2	36	34.6
Biollano			0.6
Total	**561.3**	**311.8**	**350.5**

SH2 emissions (t)			
Site	2018	2019	2020
Navia	1.7	0.56	0.69
Pontevedra	1.9	2.5	2.9
Total	**3.6**	**3.06**	**3.59**

Notes: The Biollano plant became operational in 2020. The Termollano plant entered the reporting scope in 2019 and, although it was sold by Ence in December 2020, the reported data corresponds to 2020 as a whole. In the case of Lucena, the official emissions report was not available at the close of this report, so the data is based on Ence's internal calculations.

Ence's performance in relation to its 2020 targets is considered positive. The company set a target to reduce the level of particulate matter emissions to below 10 mg/Nm3 in all power plants and the target has been achieved. Particulate matter emission reduction targets were also set for the recovery boilers and lime kilns in Navia and Pontevedra. In the case of Navia, both objectives have been met, while in the case of Pontevedra they have not been achieved.

Promotion of the circular economy

Ence also actively participates in forums to promote the circular economy, sharing experiences and best practices. For example, in 2020 Ence participated in the round table organised by Byproductplace on “Management of waste and by-products from agribusiness: the challenge of circularity as a driver of recovery after Covid-19”.

Improved energy efficiency

GRI 302-2, GRI 302-3, GRI 302-4, GRI 302-5

Energy efficiency is another of Ence's environmental management priorities, which is why the company has established measures to improve it, aimed at reducing fuel consumption and self-sufficiency in electricity.

Fuel use

The main fuels used in the cellulose production process are biomass and lignin (black liquor) which comes from the wood itself, thus these are renewable fuels that are used to reduce the demand for external fuels. In addition, the biofactories use fuel oil and natural gas (in Navia) in the lime kilns and as support in the boilers. In order to improve efficiency in the energy use of this biomass, Ence has implemented processes such as dry debarking or the concentration of solids in the black liquor and the commissioning of a dryer for biomass in Navia using surplus heat from other processes. In 2020, the main energy efficiency advances achieved in biofactories are the following:

- Saturation of the capacity of the back-pressure turbine of the Navia biofactory to increase its energy use (from 40 MWe to 44 MWe), through increased turbination of the steam from the biomass boiler and use of the turbine's low and medium-pressure extractions.
- A new condensing turbine was also installed in Pontevedra in 2019, streamlining its operation in 2020 from 29 MWe to 37.2 MWe.
- Certification of the energy management system of the Pontevedra biofactory in accordance with the **UNE-EN-ISO 50001** standard, which entails the implementation of an energy policy and the management of the energy aspects of the facility, and the implementation process began at the Navia biofactory in the third quarter, with a view to achieve certification in 2021.

In independent power plants, the main fuel used is biomass. In addition, auxiliary fuels (fuel oil or diesel) are used at specific times, such as boiler start-ups or shutdowns.

Natural gas is used at the Lucena cogeneration plant and in the case of Termollano (a plant sold by Ence in December 2020), natural gas is also used in the auxiliary heating system, which is only started up when it is required to support the solar field (at times of high cloud coverage or on days with less solar radiation than expected).

At the power plants, initiatives are also designed to improve energy efficiency based on the use of useful heat, such as the evaporation unit for the reduction of effluents at the La Loma plant or the installation of an expansion tank for the use of continuous purges at the Huelva plant. The following milestones should also be noted in 2020:

- Digitisation of the combustion processes by means of advanced programming in the Huelva 41 boiler to minimise energy losses and reduce emissions.
- Predictive maintenance and APM (Asset Performance Management) analysis. This real-time monitoring and analysis tool uses Machine Learning algorithms for predictive maintenance and physical models for energy efficiency to provide early warnings of incipient failure phenomena and energy inefficiencies. This improves efficiency and reduces failure situations involving the use of auxiliary fuels.
- Start-up of the photovoltaic solar plant for self-consumption of auxiliary installations at the Huelva energy complex. The new plant has the capacity to generate around 1,500 MWh/year and consists of almost 2,500 photovoltaic modules, which have been installed using existing structures such as the plant's car park canopies.
- The installation of photovoltaic panels has also begun at the Mérida plant, which will come into operation at the beginning of 2021, with the aim of covering part of the biomass processing plant's consumption.

With regard to forestry, the main fuel used is petrol and diesel used by forestry technicians' vehicles and nursery equipment. The consumption of the main fuels used in Ence's facilities is detailed below:

Renewable fuels

Biomass consumption (TJ)			
Site	2018	2019	2020
Navia	2833	2961	3199
Pontevedra	1561	1026	1662
Huelva	7800	7440	9877
Mérida	2016	1987	2267
Enemansa	1386	1602	1306
La Loma	1113	1274	1430
Lucena	1356	1490	1527
Biollano			2946
Total	18,065	17,780	24,214

Black liquor consumption (TJ)			
Site	2018	2019	2020
Navia	10,056	5626	6995
Pontevedra	7385	6029	5501
Total	17,441	11,655	12,496

Other fuels

Natural gas consumption (TJ)			
Site	2018	2019	2020
Navia	765	648	889.3
Lucena	872	1134	1091.8
Termollano		38	45.6
Total	**1637**	**1820**	2026.7

Fuel consumption (TJ)			
Site	2018	2019	2020
Navia	243.7	401.1	215.3
Pontevedra	1089.3	982.8	1050.4
Huelva	56.1	33	45.4
Total	**1389.1**	**1416.9**	**1311.0**

Coke consumption (TJ)			
Site	2018	2019	2020
Pontevedra	158.5	166.5	143.2
Total	**158.5**	**166.5**	143.2

Diesel A consumption (TJ)			
Site	2018	2019	2020
Termollano		0.3	0
Total	-	**0.3**	**0**

Propane consumption (TJ)			
Site	2018	2019	2020
Navia	0.0	0.1	0.0
Pontevedra	1.8	1.4	2.2
Huelva	0.1	0.1	**0.1**
Total	**1.9**	**1.5**	**2.2**

Diesel B consumption (TJ)			
Site	2018	2019	2020
Navia		0.1	
Huelva	0.1	0.0	1.5
Mérida	0.9	1.0	5.3
Lucena	0.01		
Termollano		0.4	
Nurseries	0.2	0.2	0.2
Total	**1.1**	**1.7**	**5.5**

Diesel C consumption (TJ)			
Site	2018	2019	2020
Enemansa	4.2	4.6	11.1
La Loma	7.9	9.4	7.2
Biollano			0.6

Total	**12.1**	**14.0**	**18.9**

Notes: the data refer to Ence's direct consumption, i.e. fuels used in the company's facilities. The company does not have data on the consumption of indirect fuels, such as those required to transport raw materials to the facilities (timber and biomass logistics) or the final product (cellulose logistics), so they are estimated annually for the calculation of Scope 3 emissions in Ence's emissions inventory. The Biollano plant became operational in 2020. The Termollano plant entered the reporting scope in 2019 and, although it was sold by Ence in December 2020, the reported data corresponds to 2020 as a whole.

Electricity production and consumption

Ence's biofactories have a positive energy balance, as they use biomass and lignin from wood to generate more energy than is consumed in the production process. The renewable energy generated is fed into the grid, helping to decarbonise the national electricity mix. In the case of independent power plants, part of the renewable energy generated is used for their own consumption, resorting to the purchase of electricity from the grid for specific situations, such as periods of generation stoppage or auxiliary installations. The data on generation, self-consumption and sale to the electricity market and, where appropriate, steam, for each of Ence's plants is as follows:

Electricity generation (GWh)			
Site	**2018**	**2019**	**2020**
Navia	554.7	519.5	606.3
Pontevedra	239	232.4	256.4
Huelva	492.8	529.4	726.8
Mérida	150	147.4	164.9
Enemansa	105.8	107.3	92.5
La Loma	92.6	83	102.7
Lucena	180.6	208.7	211.1
Biollano			255.4
Termollano		79.8	66.3
Total	**1815.50**	**1907.50**	**2482.5**

Electricity self-consumption (GWh)			
Site	**2018**	**2019**	**2020**
Navia	32.2	36.1	37.8
Pontevedra	8.3	7.7	8.3
Huelva	44.3	48.5	61.5
Mérida	15.5	14.6	17.0
Enemansa	13	13.1	10.9
La Loma	13.3	11.7	14.1
Lucena	12.3	12.8	14.7
Biollano			20.3
Termollano		7.8	6.4
Total	**138.9**	**152.3**	**191.0**

Electricity sales (GWh)			
Site	**2018**	**2019**	**2020**
Navia	519.3	483.4	568.6
Pontevedra	230.7	224.7	247.9
Huelva	448.6	480.9	665.3
Mérida	134.6	132.9	147.9
Enemansa	92.8	94.2	81.7
La Loma	79.3	71.3	88.6
Lucena	168.3	195.9	196.4
Biollano			235.0
Termollano		72	59.9
Total	**1673.60**	**1755.30**	**2291.2**

Energy intensity (MWh/tAD)			
Site	**2018**	**2019**	**2020**
Navia	0.54	0.55	0.53
Pontevedra	0.55	0.54	0.58

Energy intensity (GJ biomass/GWh)			
Site	**2018**	**2019**	**2020**
Huelva	15,828.3	14,055.8	13,589.0
Mérida	13,439.3	13,479.4	13,744.7
Enemansa	13,101.0	14,925.7	14,115.3
La Loma	12,017.2	15,348.3	13,919.1
Lucena	7509.0	7140.0	7234.2
Biollano			11,538.3

Grid electricity consumption (GWh)			
Site	2018	2019	2020
Navia	284	254.4	304.1
Pontevedra	239.1	245.3	251.1
Huelva	2.34	15.8	16.2
Mérida	0.59	2.3	1.2
Enemansa	0.23	0.16	0.5
La Loma	0.38	0.97	0.6
Lucena	0.48	1	1.0
Biollano			1.9
Termollano		4.2	5.3
Total	**527.12**	**524.13**	581.9

Cogeneration steam consumption (TJ)			
Site	2018	2019	2020
Navia	8002.7	8068.3	6851.4
Pontevedra	6610.9	6811.0	7069.6
Total	**14,613.6**	**14,879.4**	13,921.0

Heat sales (TJ)			
Site	2018	2019	2020
Lucena	460.8	690.2	702.2
Total	**460.8**	**690.2**	**702.2**

Notes: The Biollano plant became operational in 2020. The Termollano plant entered the reporting scope in 2019 and, although it was sold by Ence in December 2020, the reported data corresponds to 2020 as a whole. Energy sales are accounted for since 1 January 2020.

Reducing the water footprint

GRI 303-2, GRI 303-3, GRI 303-5

For Ence, the responsible management of water resources is one of the main priorities in terms of sustainability and, consequently, the company has been working for years to improve both consumption efficiency and the quality of its effluents. As the biofactories are the main consumers of water in the group, specific water consumption reduction targets (m3/t of

cellulose produced) have been set for both Navia and Pontevedra. In order to achieve these objectives, the following actions have been launched in 2020:

- At the Navia biofactory, as part of the project to increase capacity and optimise the Navia 80 facility, thanks to the installation of a new scrubber, the pollutant load of the condensation has been reduced, which has enabled it to be reused in the production cycle, thereby considerably reducing external water consumption.
- At the Pontevedra biofactory, continuous improvement measures and process adjustments have continued to be implemented to improve efficiency and maximise water reuse, thereby reducing the plant's specific consumption.

Specific water consumption (m3/tAD)				
Site	2018	2019	2020	*2020 (obj.)*
Navia	35.0	35.2	31.1	*28*
Pontevedra	33.8	30.2	28.3	*28.2*

Specific water consumption has been reduced by more than 11% in Navia and by more than 6% in Pontevedra compared to the previous year.

In the case of independent power plants, although the volume of water consumed is much lower than in biofactories, Ence is also committed to improving its water footprint. Thus, in 2020, a comprehensive water cycle audit project has been launched in all its plants, which aims to establish the water inventories and balances of each plant and identify opportunities for improvement to reduce water consumption. On the basis of this analysis, specific reduction targets will be set.

Ence is also a member of EsAgua, a pioneering network of Spanish entities committed to reducing their water footprint. Managed by Cetaqua, the Water Footprint Network and DNVGL, EsAgua is a unique and innovative project in Spain where more than 30 Spanish entities are already participating. By joining the EsAgua Network, Ence is demonstrating its commitment to water resource management, making progress towards calculating its water footprint and raising awareness among all its stakeholders.

The water that Ence uses in its biofactories and power plants comes from authorised surface water or underground sources, always in accordance with the corresponding environmental authorisations. In the case of La Loma plant, the source of water is the municipal supply and in the case of Lucena, the plant uses the water treated by the municipality's wastewater treatment plant (WWTP), in an example of circular economy and reuse of resources.

According to the level of **water stress risk**, Ence's facilities with the highest consumption are located in low (Pontevedra and Navia) or medium-high (Huelva) risk areas, according to the WRI (World Resources Institute) Aqueduct risk map. The only plants located in high-risk areas are the La Loma and Lucena plants.

Site	Main source of supply	Risk level according to WRI
Navia	Surface water. Navia river	Low (0-1)
Pontevedra	Surface water. Bora dam on the Lérez river	Low (0-1)
Huelva	Surface water. El Sancho dam on the Tinto river	Medium-High (2-3)
Mérida	Surface water. Guadiana river	Medium-High (2-3)
Enemansa	Groundwater. Aquifer borehole 23	Medium-High (2-3)
La Loma	Municipal supply	High (3-4)
Lucena	Wastewater. Lucena WWTP	High (3-4)
Biollano	Surface water. Montoro reservoir	Medium-High (2-3)
Termollano	Surface water. Montoro reservoir	Medium-High (2-3)

The following is a detail of the consumption of each of Ence's plants.

Surface water consumption (thousands of m3)			
Site	2018	2019	2020
Navia	19,828.4	18,256.1	19,456.5
Pontevedra	14,766.3	13,735.1	13,062.6
Huelva	5107.2	3534.9	3497.2
Mérida	662.0	577.1	700.4
Biollano			845.1
Termollano		311.0	288.8
Total	**40,363.9**	**36,414.1**	**37,850.7**

Groundwater consumption (thousands m3)			
Site	2018	2019	2020
Enemansa	35.1	34.2	33.2
Biollano			1.5
Total	**35.1**	**34.2**	**34.6**

Reused water consumption (thousands m3)			
Site	2018	2019	2020
Lucena	461.9	482	490.9
Total	461.9	482	490.9

Municipal supply water consumption (thousands of m3)			
Site	2018	2019	2020
Huelva	53.5	47.7	43.6
La Loma	49.6	48.9	52.6
Lucena	0.6	0.8	0.8
Nurseries	19.2	18.6	16.9
Total	**122.9**	**116**	**114.0**

Total water consumption (thousands m3)			
Site	2018	2019	2020
Navia	19,828.4	18,256.1	19,456.5
Pontevedra	14,766.3	13,735.1	13,062.6
Huelva	5160.7	3582.6	3540.9
Mérida	662.0	577.1	700.4
Enemansa	35.1	34.2	33.2
La Loma	49.6	48.9	52.6
Lucena	462.5	482.8	491.7
Biollano			846.6
Termollano		311.0	288.8
Nurseries	19.2	18.6	16.9
Total	40,983.8	37,046.4	38,490.2

Notes. The Biollano plant became operational in 2020. The Termollano plant entered the reporting scope in 2019 and, although it was sold by Ence in December 2020, the reported data corresponds to 2020 as a whole.

In managing its water footprint, Ence focuses not only on reducing consumption, but also on improving the quality of its effluents. The company's ambition is not only to comply with the effluent limits set by the environmental authorisations of the facilities, but to improve them and reduce the amount of effluents as much as possible.

To this end, Ence carries out strict operational control at its facilities, so that instabilities do not affect the quality of the discharge, and applies various treatment and purification processes to optimise the quantity and quality of its effluents. In this regard, the following milestones were achieved in 2020:

- The Pontevedra biofactory has consolidated its position as a benchmark facility in the sector in terms of effluent management, with discharge parameters that significantly improve the limits established in its IEA. Thus, the COD (Chemical Oxygen Demand), the main measurement of effluent quality, improved by 63% on the limit set, and by 87% on the upper reference range set by the European BREF standard for the pulp sector in this parameter.
- At the Navia biofactory, improvements have been made to the effluent treatment plant by optimising the existing biological and cooling system, which has made it possible to reduce the amount of organic matter in effluents (26% in absolute terms) despite the increase in production, which means that 83.5% of the effluent is below the upper range set by the European BREF standard for the pulp sector in this parameter.
  Likewise, in 2020, the operation of the new primary effluent treatment system was consolidated, consisting of a new dissolved air flotation (DAF) unit, which has led to a 22% reduction in the ratio of total solids per tonne of pulp produced in the final effluent discharge from the Biofactory.

In the case of the power plants, it should be noted that in 2020, the Enemansa plant has completed the connection of the final effluent to the municipal WWTP, so that it can be treated at that facility and does not have to be managed as waste. In addition, at La Loma and Enemansa plants, initiatives have been launched to treat water with olive pomace carry-over, increasing evaporation capacity (La Loma) and implementing a fuel wetting system using this water (Enemansa).

The discharge volumes and characteristics of the effluents from Ence's plants, as well as their destination (established by the respective environmental authorisations), are detailed below:

Effluents volume (thousands m3)			
Site	2018	2019	2020
Navia	19,962.9	18,087.7	18,393.1
Pontevedra	12,376.9	11,242.3	10,267.3
Huelva	1531.2	1543.7	**1766.4**
Mérida	466.8	317.5	461.3
Enemansa		1.5	5.0
La Loma	15.5	11.4	12.9
Lucena	247.4	241.4	240.6
Biollano			361.5
Termollano		60.7	96.6
Nurseries	0.9	0.4	0.4
Total	**34,601.60**	**31,506.60**	**31,605.20**

pH			
Site	2018	2019	2020

SS (mg/l)			
Site	2018	2019	2020
Navia	23	8.6	11.9
Pontevedra		15	14
Huelva	<11	7.6	**6.33**
Mérida	7	6.8	10.07
Enemansa		106	41.9
La Loma	12	8	2
Lucena	6.5	8.9	7
Biollano			55.99
Termollano		5.8	7.67

BOD (mg/l)			
Site	2018	2019	2020
Navia	28	24.4	27.6
Pontevedra		7.5	<5

Navia	7.7	7.1	7.7
Pontevedra	7.4	7.3	7.3
Huelva	7.3	7.1	**7.22**
Mérida	7.8	7.6	7.68
Enemansa		8.4	8.3
La Loma	7.9	7.6	7.68
Biollano			7.97
Termollano		8	8.31

Conductivity (µS/cm)			
Site	2018	2019	2020
Navia	3400.00	2800.00	3070.0
Mérida	1032.40	932.8	939.1
Enemansa		4289.00	**3743.0**
Lucena	1212.30	1422.30	1223.0
Biollano			593.5
Termollano		825.1	648.4

AOX (mg/l)			
Site	2018	2019	2020
Navia			0.008
Pontevedra			<0.01
Biollano			0.24

TOC (mg/l)			
Site	2018	2019	2020
Huelva	<5.3	3.4	**2.69**

Chlorides (mg/l)			
Site	2018	2019	2020
Mérida	126.8	141.6	**137.17**

Sulphates (mg/l)			
Site	2018	2019	2020
Mérida	169.1	186.8	**207.93**

Nitrates (mg/l)			
Site	2018	2019	2020
Mérida	15.8	10.3	**16.48**

Mérida	5.4	6.1	**6.39**
Enemansa		105	11.8
Lucena	10.9	6.2	8
Biollano			5
Termollano		16	5.3

COD (mg/l)			
Site	2018	2019	2020
Navia	131	124.5	91.8
Pontevedra		99	115
Mérida	20	22.1	24.92
Enemansa		440	42.5
La Loma	34	22.6	19.5
Lucena	39	23.8	32.8
Biollano			46.33
Termollano		16.5	15.39

Total N (mg/l)			
Site	2018	2019	2020
Navia			1.7
Pontevedra	-	<6.8	6.5
Huelva	<1	1.1	1.09
Mérida	4.6	4.1	4.05
Enemansa		1.1	3.3

Total P (mg/l)			
Site	2018	2019	2020
Pontevedra	-	<0.76	1
Huelva	<1.05	1	1.01
Mérida	0.4	0.3	0.27
Enemansa		8	1.2
La Loma	0.6	0.2	0.0615

Oils and grease (mg/l)			
Site	2018	2019	2020
Navia			**<0.5**
Huelva	<2.5	2.5	**2.5**
Termollano		1.1	**1.01**
Mérida			**0.5**
Enemansa			**0.6**

Notes: The Biollano plant became operational in 2020. The Termollano plant entered the reporting scope in 2019 and, although it was sold by Ence in December 2020, the reported data corresponds to 2020 as a whole.

Site	Destination
Navia	Maritime-terrestrial public domain (MTPD) via underwater outfall
Pontevedra	Ría de Pontevedra through the Os Praceres urban WWTP underwater outfall
Huelva	MTPD Mouth of Tinto river
Mérida	Hydraulic public domain (Guadiana River)
Enemansa	Villarta de San Juan WWTP
La Loma	Hydraulic public domain (Arroyo de la Parrilla)
Lucena	Hydraulic public domain UTM X coordinates: X: 367373 Y: 4135881
Biollano	Hydraulic public domain (Ojailén River)
Termollano	Hydraulic public domain (Valconejero stream)

Securing the social licence to operate

GRI 413-2:

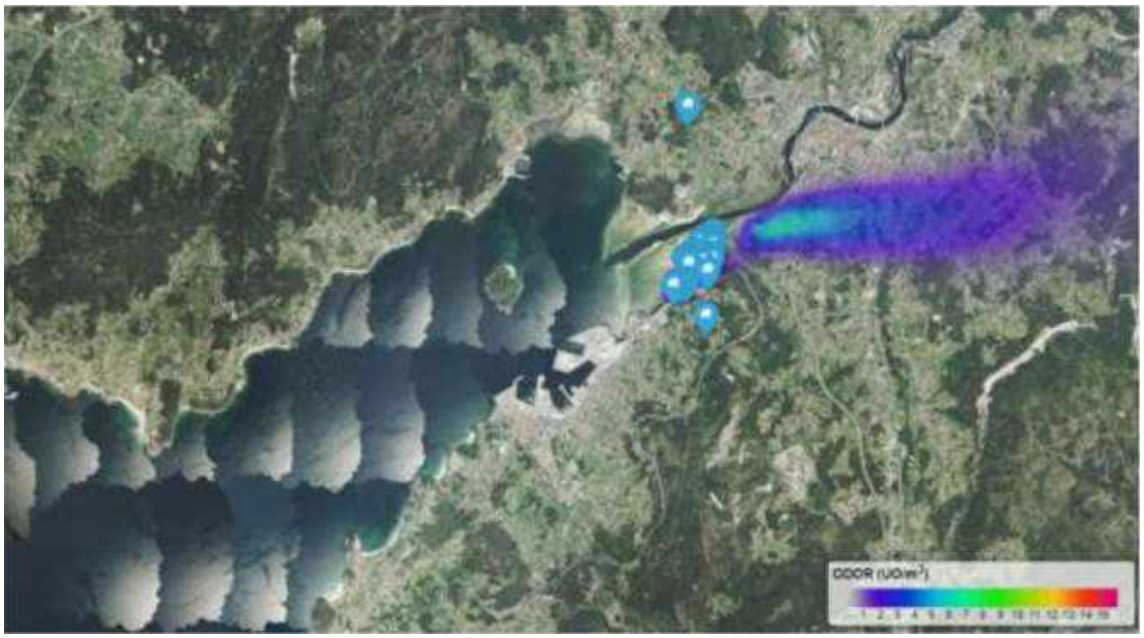
In addition to reducing the environmental impact of its activities, Ence's priority objective is to respect the communities in which the company's facilities are located and thus guarantee the social licence to operate. As a responsible neighbour, Ence sets targets to control and reduce any impact that may cause nuisance to the community, such as odour in the case of biofactories, noise or dust.

Controlling and reducing the impact of odours

The cellulose production process generates sulphur compounds which, if not properly treated, can have an odorous impact on the plants' surroundings. To avoid these impacts, Ence is working on process management and the adaptation of its facilities, with the aim of reaching the goal of Zero Odour. Thus, in 2020 it will be ten years since the implementation of the Zero Odour Plan, thanks to which odour emissions from channelled sources have been reduced by more than 99%. Despite this progress, odour impact reduction remains a key sustainability goal for the company and reduction targets are set each year for both biofactories.

Ence has also developed its own methodology for monitoring odour impact that incorporates different variables, from odour emissions from channelled and diffuse sources (measured in total reduced sulfur, or TRS, concentration) to qualitative records of odour perception. In addition to the records kept by Ence personnel, the company also provides its stakeholders with warning systems to alert them to possible odour episodes in real time.

Ence also has a system for predicting potential odour impacts based on meteorological variables developed in conjunction with the University of Santiago de Compostela, which makes it possible to forecast potential odour events up to 72 hours in advance. With this tool, Ence plans interventions in the processes in such a way so as to minimise their potential odour impacts.



Among the actions implemented in 2020 to reduce the odour impact, the following stand out:

In Pontevedra, a predictive model has been designed that allows action to be taken before the occurrence of high TRS concentration episodes in lime kilns. Failure modes have also been monitored with the environment overall operation effectiveness (OOE) Boost panel and an odour early warning network has been established. A monitoring network has also been set up around the perimeter of the biofactory to manage the operation and improve the plant's odour impact.

In Navia in 2020, the optimisation of the new facilities of the Navia 80 project has been carried out, reducing the generation of diluted odorous emissions by implementing technology that eliminates them from the main equipment of the cooking and washing stages. In parallel, the operating standards for the treatment of odorous gases have been adapted, with a main treatment system and two additional back-up systems, in order to achieve a 46% reduction in the total number of odorous minutes emitted by the facility.

Below are the results of the odour impact index (KPI developed by Ence) for both biofactories:

Odorous impact index			
Site	2018	2019	2020
Navia	0.53	0.73	0.88
Pontevedra	0.13	0.19	0.15

In Navia, despite having consolidated the installation changes made in 2019 in terms of gas treatment and significantly reducing emissions, the overall odour impact index has not been reduced, since there are qualitative factors, such as external complaints, which have not decreased.

Disregarding qualitative factors, odour minutes have been reduced by 45% in Pontevedra and by 46% in Navia compared to 2019.

Controlling and reducing the acoustic impact

Noise generated by any industrial facility is another critical issue that can jeopardise community acceptance. Ence is therefore also working to monitor and reduce the noise impact of its biofactories and independent power plants. Each year, improvement objectives and reduction plans are defined for the facilities, prioritising those that may have a greater impact due to their proximity to urban centres, and self-monitoring is carried out to control the effectiveness of the planned actions.

We can find the following initiatives among the those that have been carried out throughout 2020 in this area:

At the Navia biofactory, a new acoustic map of the facility has been drawn up following the execution of the project to extend and improve the environmental performance of the facility, in order to carry out a more in-depth technical assessment of the sources of noise emissions and the implementation of acoustic attenuation measures, specifically designed for each source of emissions and to prioritise the implementation of the Best Available Techniques to reduce them.

In Pontevedra, an acoustic tunnel has been installed at the chipper entrance of the wood yard and in the new VPSA oxygen plant, a soundproof cover, silencers in the ventilation systems and an acoustic partition in the coolers have also been installed.

Work has continued in this direction In power plants, too. In Huelva, an acoustic map of the plant has been drawn up, taking into account the facilities to be dismantled. In Mérida, work has begun on the first phase of the plan to reduce the noise impact in the boiler area.

Noise data from Ence's operations sites are detailed below:

Navia (dBK)			
Period	2018	2019	2020
Morning	64.8	62.2	62.4
Afternoon	64.8	62.2	62.1
Night	61.9	62.8	63.0

Pontevedra (dBA)			
Period	2018	2019	2020
Morning	58	61	61.7
Afternoon	58	58.5	60.5
Night	51	52.6	55.1

Enemansa (dBA)		
Period	2018	2019-20
Morning	74	71
Afternoon	71	71
Night	72	71

Huelva (dBA)			
Period	2018	2019	2020
Morning			66
Afternoon			67
Night			67

Note: Regulatory controls on all other plants predate 2018. The Enemansa data correspond to the Outdoor Immission Level (OIL) worst case point. 2018 and 2019 external self-monitoring report carried out by an accredited laboratory during the noise monitoring action plan carried out at the plant. The data for Huelva correspond to the OIL in accordance with Decree 6/2012 of 17 January, Regulation on protection against noise pollution in Andalusia. The most unfavourable point.

Controlling and Improving air quality

Air quality in the vicinity of its plants is another priority for Ence, as some of its activities, such as the movement of biomass at its facilities, can cause particulate matter emissions that may cause nuisance to its neighbours.

In this respect, Ence has not only set particle emission targets for its power plants, but has also established specific plans to mitigate dust emissions from its operations centres, especially those located near population centres, as is the case in Huelva.

The **Huelva Air Quality Management Plan** includes a series of actions aimed at mitigating the generation and dispersion of dust produced during biomass processing. These include the incorporation of closed biomass silos for daily consumption, the covering of the biomass conveyor belts and the installation of nebulisers for the abatement of particles at the transfer points. The conveyor belts are also equipped with suction systems and bag filters to capture dust, and a sprinkler system has been installed in the biomass collection areas. In addition, an irrigation system has been implemented in transit, collection and decanting areas using sprinkler tractors.

In 2019 and 2020, Ence also installed textile screens in the biomass processing area (PTB) to minimise particle dispersion. An extension to the screen to cover part of the perimeter of the biomass storage area at the plant is planned for 2021, complemented by a plant screen around most of the perimeter of the entire plant.

Air quality Navia (µg/Nm³)			
Parameter	2018	2019	2020
Particles *	10	11	11
SO_2	4	4	4
NOx	9	9	8

Air quality Pontevedra (µg/Nm³)			
Parameter	2018	2019	2020
Particles	15	15	14
SO_2	3.5	3.5	3
SH_2	2.5	2.6	1.5

**The values for Particles are given in the following unit: PM10 µg/Nm³*

Air Quality Huelva	
Parameter	2020
PST (µg/m^3)	369
SEDP (mg/m^2day)	564

TSP: Total suspended particles measured over 24 hours. SEDP: Sedimentable particles measured over 15 days. The most unfavourable point. External regulatory control carried out by an administration's partner organisation

Light pollution

Ence's facilities have sufficient lighting sources for proper operation, in order to carry out the tasks of operation, control, maintenance, cleaning, etc., guaranteeing the safety of people and in all cases complying with the applicable regulations. However, without prejudice to maximum safety guarantees, when designing or modifying lighting systems, the aim is to reduce light intrusion in the natural environment and in residential areas.

The impact of Ence's facilities in terms of light pollution is analysed in the environmental impact assessments of new projects, but to date it has not been identified as a vector with a high impact, so no compensatory measures have had to be designed and no limit values have been established for this aspect in any of the integrated environmental authorisations (or equivalent authorisations) for any of the sites.

No complaints or comments have been received either from the communities around the plants in relation to light pollution or from the environmental administrations. For all these reasons, Ence does not consider this environmental vector as a supply for its activity. In any case, it is assessed in the environmental processing of authorisations for new installations.

Rural and Agroforestry Development

Ence, as the leading private forest manager in Spain and a benchmark company in the timber and biomass market, applies and promotes responsible management in the forestry and agricultural sector as a lever for sustainable socio-economic development and population settlement in the territory. In this way, Ence aims to create value for all the parties in its supply chain, from agricultural and forestry owners to companies that harvest and transport materials, while guaranteeing the conservation of biodiversity and other natural values of the woodland.

Ence's objectives in this area are as follows:

100% of agroforestry resources with a guarantee of sustainable management

100% local agricultural and forestry supplies, with guaranteed traceability

By working along these lines, Ence contributes to SDG 12, offering a solution for the management of agricultural waste and contributing to the circularisation of the sector, to SDG 13, capturing CO2 in its forest sinks, valuing biomass to generate renewable energy and avoiding uncontrolled burning that generates diffuse emissions, to SDG 15, promoting the conservation of biodiversity in its woodlands and to SDG 17, generating alliances with landowners, sectoral associations and other entities in the agricultural and forestry sector.

Strategy and areas of action in agroforestry management

Agroforestry management is the first link in Ence's value creation chain and it is therefore a priority to ensure its sustainability from an environmental, social and economic point of view.

Thus, in terms of **environment**, Ence's efforts are focused on implementing sustainability requirements through standardised mechanisms and following renowned standards.

In the forestry area, Ence is committed to Sustainable Forest Management certification, which is applied not only in woodlands managed by Ence (having reached 85.6% of the certified surface area) but also extends to the supply chain through market tools. Thanks to Ence's commitment, 78.3% of the timber used by the company has some form of sustainable forest management certification.

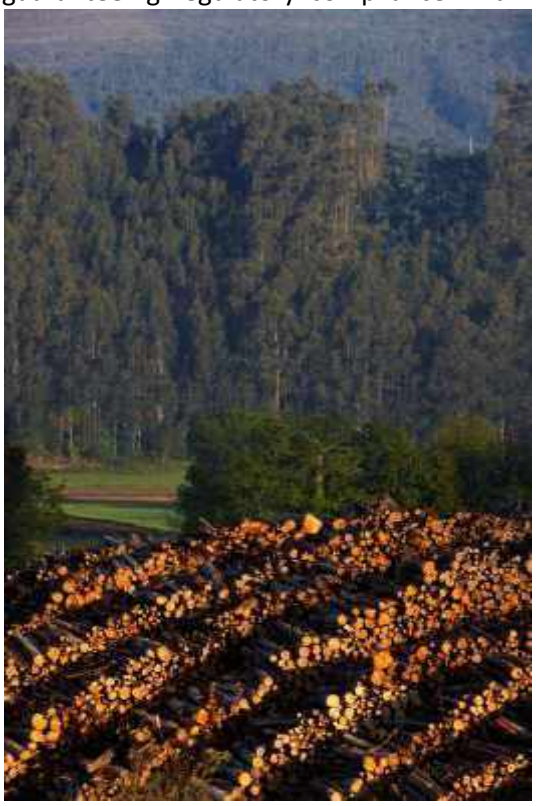
In the field of biomass for energy use, Ence has continued with the progressive implementation of its "Decalogue for the sustainability of biomass as a fuel", reaching a degree of compliance of 66.8% of the agroforestry indicators in 2020, exceeding the target set for this year. In 2020, in addition, the Decalogue was revised to adapt it to its application in industrial biomasses and for compliance with European Directive 2018/2001 (RED II), which in itself constitutes the great challenge in terms of sustainability for the year 2021.

In the **socio-economic** area, Ence focuses its efforts on the generation of value in the rural environment, the development of operational capabilities and the transmission of knowledge for owners and companies in the sector. In 2020, actions in this area have been strongly conditioned by the pandemic, which has made it necessary to limit presence in the field to the minimum necessary and always in accordance with the prevention protocols established by Ence.

In terms of value generation, Ence has managed to maintain activity and purchases from local landowners and associations, with a focus on small landowners (who account for 78% of standing timber purchases). Ence has also maintained its Oversized Timber Programme, freeing up land for more productive plantations. From the point of view of capacity building, Ence has continued to support initiatives such as the School for Forestry Operators and the Points Programme for harvesting contracts and suppliers. The third line of work,

focusing on the transfer of sectoral know-how, is the one that has been most affected by the pandemic. However, more than 100 training events on different topics (safety, forestry, health, GIS) were held in 2020, in different forums and channels, adapted to the situation.

Another of the keys to agroforestry management at Ence is to **reinforce vigilance and minimise supply chain risks.** To this end, Ence works along two lines: guaranteeing regulatory compliance in all operations and ensuring the integrity of the chain in terms of product traceability from the source.



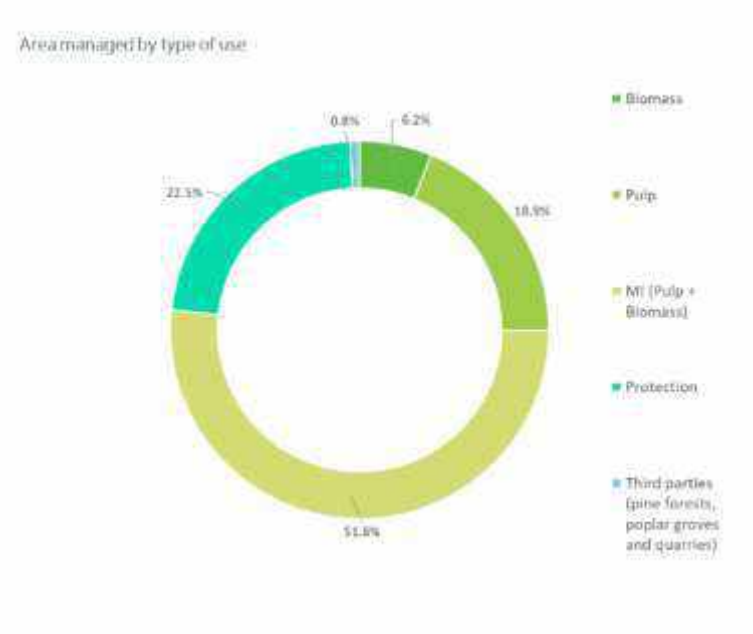
For proper regulatory management, Ence has a system based on the Xone and SAP platforms that identifies the permits necessary for a given purchase and, only if all the required permits are in place, releases the operation. The system, successfully tested on timber, is also being implemented for biomass purchases. In the case of suppliers, a system of approvals makes it possible to block the entry of products that do not have a responsible declaration from the supplier in the terms required by Ence. In addition, the supplier approval procedure establishes a system of risk verification and inspections to reinforce compliance assurance. In relation to product traceability, the Chain of Custody system, also of forestry origin, is also being implemented for the control and traceability of biomass.

This wide range of work and actions are part of the application of the company's sustainability policy, responding to a vision of the future in which action in the natural environment, whether agricultural or forestry, is understood as a shared responsibility between Ence and its collaborators.

Ence's Forest Management Model

Main figures

Ence manages 65,824 hectares of gross forest area on the Iberian Peninsula, making the company the largest private forest manager in Spain. Most of this area (more than 77%) corresponds to eucalyptus timber and biomass producing areas (51,000 hectares), while more than 22% of the total (14,824 hectares) correspond to areas considered as protection and conservation of ecosystems.



In terms of ownership structure, most of the woodlands managed by Ence, around 70% of the total surface area, are the company's own woodlands, and the rest are properties under one of the most common types of contract (lease, consortium or agreement).

Ence is developing its sustainability policies in these woodlands, turning the heritage into a **model and benchmark for sustainable forest management**. Ence also aims to promote this model among the owners involved in its supply chain.

Ence's commitment to professionalised and sustainable forest management is realised in the **investments** that the company makes each year in its property woodlands for tasks such reforestation, the creation and maintenance of tracks and firebreaks, forestry work, fire prevention, preparation of inventories and payment of rents and fees to landowners. These actions not only generate income for the companies that carry them and, with them, for the surrounding community where they are located, but also represent a mechanism for the transmission of good forestry practices.

Throughout 2020, investments made in Ence's woodlands amounted to 3,267,212 euros.

Forest management system and principles

Ence has implemented a forest management system certified in accordance with the requirements established in the following international standards: **OSHAS** (18001:2007), **PEFC™** (Programme for the Endorsement of Forest Certification Schemes, according to UNE-162.002:2013, ST 2002:2013) and **FSC®** (Forest Stewardship Council®, according to National Standards, with licence code FSC®-C099970, in group mode).

The Ence Management System covers all the areas managed. For its coordination, Ence has set up a Group Entity which is responsible for establishing the guidelines and the management and monitoring system with regard to:

- planning, monitoring and management development
- harvesting, planting and silvicultural work activities
- management and inspections quality control and timber traceability
- marketing and sales of certified timber products (FSC® and PEFC™)

- group dynamics (as determined by the Group Handbook)

Although all managed areas are under the scope of the Forest Management System, not all of them are certified by the above-mentioned benchmarks: only those that comply with all the requirements of the system are proposed annually for certification.

At the end of 2020**, 85.6% of the forest area managed by Ence was** FSC® and/or PEFC™certified.

Ence's objective is to achieve full certification of the managed area. To this end, the company sets short-term (annual) objectives. By 2020, the objective was set to increase the certified area in the northern heritage by 9% and an increase of 8.2% has been achieved. By 2021, an objective has been set to achieve certification of 90% of the heritage area (see more details on sustainable forest certification on p. 186).

General management planning is articulated through the Integrated Forest Management System implemented by Ence to ensure compliance with the Management Policy and to guarantee that the levels of environmental protection and occupational health and safety defined by legislation and Ence's internal regulations are achieved and maintained.

The Integrated Management System consists of the following elements:

- Management Policy.
- Integrated Management Handbook.
- Forest Certification Group Management Handbook.
- Management Procedures.
- Technical instructions.
- Specifications.
- Printed materials.
- Records required by the Integrated Forest Management System and the Ence GCF.
- Documents external to Ence’s Integrated Management System (IMS) (technical documents, projects, reports, inventories).

This system makes it possible to plan all actions in the forest heritage according to management objectives, assigning the necessary means to achieve them and monitoring the actions to be carried out.

Ence's forestry activity is based on solid voluntarily defined **principles of forest sustainability**to coordinate the company's commitment to environmental, social and economic sustainability.

Principle 1: Durability over time

Managed forest resources are an important environmental, social and economic asset that must be passed on to future generations. Its management focuses on maintaining and growing production capacity in the short, medium and long term, through conservation, development and, where appropriate, renewal of managed forest ecosystems.

Principle 2: Minimising impacts

Managed ecosystems have production and management constraints that need to be known. All activities are planned with the aim of minimising the environmental impact, compensating for possible negative effects and identifying and implementing environmentally friendly alternatives that contribute to preserving the environment.

Principle 3: Maintaining diversity

The forests managed by Ence contain a great diversity of natural, social and cultural elements. The objectives of the actions carried out include the preservation of this diversity, enabling it to evolve naturally and for the Company to harness this knowledge and enhance it.

Principle 4: Multifunctionality

The forests managed by Ence contain diverse goods and services that can be used for many purposes. The actions therefore consider active policies for managing the different goods and services of the forests, maximising and preserving the environmental, social and cultural benefits of the forests, as well as the economic ones.

Principle 5: Continuous innovation

Forestry R&D+i policies are necessary to promote the Company's continuous adaptation to technical, environmental and social management requirements. Ence constantly searches for innovation in its forest management processes, as a guarantee for continuously improving to achieve social, environmental and economic objectives.

Principle 6: Forest area

Ence's forestry activity takes place in the rural environment, in which the Company participates and is involved beyond its activity as owner and manager. Ence applies active forest extension policies aimed at transmitting accumulated knowledge, fostering management agreements, informing its stakeholders and supporting sustainability principles, in the conviction that a technologically managed and trained forest sector is the best way to achieve effective sustainability in environmental, social and economic values.

Principle 7: Active participation with stakeholders

The stakeholders and the community are a necessary and desirable reference for identifying best practices for action. Ence will maintain its efforts to promote, channel and make the most of this relationship, which will result in Society having better knowledge of forestry activity and precisely defining its expectations.

Principle 8: Public commitment

Ence considers that these Sustainability Principles are only possible with collaboration and effective support from all customers and suppliers. These principles will be disseminated to all stakeholders, and especially to those who have direct responsibility for forest management actions, fostering environmental, social and economic improvements in their actions. Ence particularly values relations with those who incorporate sustainability criteria in their daily activity, aligning with the Company's objectives in this area.

Principle 9: Forest certification

Forest certification is an effective tool for promoting sustainability in managing forest areas. Ence works to maintain and extend the certification of its forests and promotes certification of among its suppliers. It also collaborates on initiatives aimed at promoting and developing forest certification, from regulatory and practical perspectives.

Ence is also committed to:

- ✓ To comply with all the requi**rements demanded by the FSC® and PEFC™** forest certification schemes in the managed forests that, under its direct or indirect management responsibility, are within the scope of Ence's Forest Certification Group.
- ✓ Not to carry out activities contrary to the **FSC® Principles and Criteria and PEFC™ Principles** in other managed forest stands outside the scope of the corresponding certifications, ensuring in any case that the management standards are the same in certified and non-certified managed stands.

- ✓ **Progressively implement FSC® and PEFC™ Certification** in all managed forest stands not included in the initial scope of certification.

Commitment against deforestation

Aware of the problem posed by the deforestation of the world's forests, Ence is also committed to adopting the necessary measures to prevent it in the scope of its business. Thus, as established in its Purchasing Policy, it will be proactive in the fight against deforestation, both of managed forests and of those others that it may supply through its Supply Chain:

- ✓ Any supply of timber from private forest areas shall imply the maintenance or increase of the forested area, except in the case of possible restorations of forests coming from non-forested natural states of higher ecological value and previously modified.
- ✓ All Ence's suppliers of timber or forest biomass, whether in the form of standing timber or supplies purchases, must comply with the requirements established by the company to combat deforestation, whether through contractual clauses or approval.
- ✓ Ence undertakes to establish monitoring and control mechanisms to detect practices that promote deforestation throughout its Supply Chain and, if necessary, to take the appropriate preventive and corrective measures.
- ✓ Ence will not participate in commercial or industrial activities that may involve practices that entail deforestation of natural environments, and undertakes not to consume raw materials obtained through such practices.

Management tools

Management and technical plans

The background document for the development of forest management is the Management Project, which establishes the management objectives and the work necessary to achieve them based on a detailed analysis of the natural, social and economic environment in which the activity is to be carried out. This document (including the regulatory variants established by the different responsible administrations according to the surface area of the managed forest unit) is a basic requirement for the certification of sustainable forest management, and must be approved by the competent Forestry Administration in each Autonomous Community.

In the south, the Woodland Management Project has been handed over to the Andalusian forestry administration for the areas managed in the Southern Forest Heritage, covering a total of 46,677 hectares and 172 woodlands. A total of 90 Timber Harvesting Plans have been drawn up.

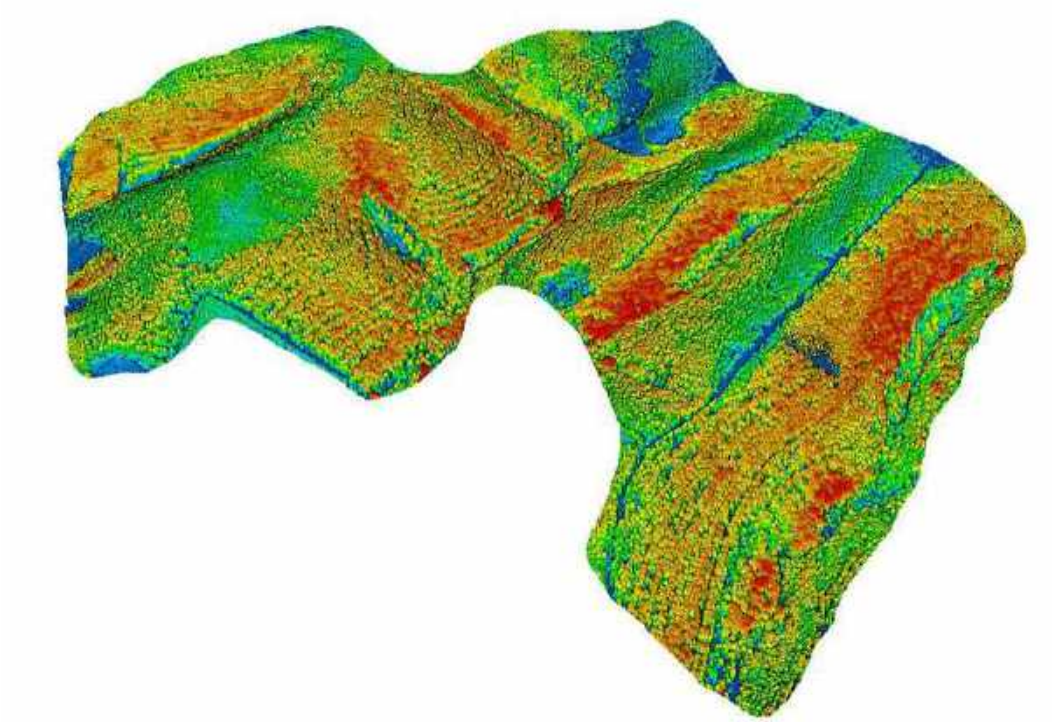
In the north, during 2020, 156 management documents were approved and registered in XORFOR (Xunta de Galicia's Forest Management System), consisting of endorsements to the Xunta's forestry model (803 hectares). Approval of the Management Project has also been obtained for woodlands larger than 15 hectares and located in the province of A Coruña, covering 46 woodlands and a total of 3,554 hectares. With regard to Technical Plans, 2 Reforestation Plans and 47 Harvesting Plans have been drawn up.

Forest Inventory

One of the most relevant elements for management planning is the detailed knowledge of the stands through the forest inventory. Ence has solid experience in defining techniques and models for inventorying eucalyptus stands, which support management through the creation of growth models, quality curves and production tables that have been and continue to be benchmarks in the sector.

The **Continuous Forest Inventory** (CFI) is the basic document for analysing the eucalyptus stands and is carried out annually on part of the managed area. Inventorying stands is not only used to quantify the timber resource, but is also an effective tool to analyse the response of forest stands to the evolution of environmental variables (such as plant response to climate change or the resilience of stands to pests and diseases). During 2020, the CFI campaign in the northern heritage area has measured a total of 1,005 plots.

Ence uses airborne **LiDAR** sensors for forest inventory work. This technology, implemented in the south several years ago, has also been implemented in the northern forest area in 2020 for the inventory of 1,340 hectares of eucalyptus.



Representation of tree heights obtained by airborne LiDAR technology on drone

Plant Health

Another of the areas on which Ence's forestry management focuses is the protection of plant health and pest control. In this sense, in 2020, two lines of action were taken in the fight against *Gonipterus platensis*, considered the main pest of eucalyptus, by means of biological control.

The first line is the control by bioproduction of the Gonipterus-specific parasitoid, *Anaphes nitens*, in Ence's biological control biofactories. In this line, the effectiveness of parasitisation has been improved, increasing the parasitism rate with respect to 2019 by 50%, which in turn has led to improved efficiency in the field, reducing treatment costs.

Thanks to these improvements and taking into account the restrictions by Covid-19, 3,348 hectares corresponding to Ence's Northern Heritage were treated during 2020, to which must be added 1,761 hectares of forest owners and Ence's customers. A total of 5,109 hectares were treated in 2020. In the treated areas, damage reduction was estimated at 14-30%.

The second line of work, in which Ence is collaborating with the Polytechnic University of Valencia, is based on the development of pheromones and represents a promising new strategy to complement the biological treatment against this pest.

Fire prevention

Forest fires are one of the main threats to the conservation of biodiversity and, by extension, forest resources.

In the two areas where Ence operates (Cantabrian coast and southwest Iberian Peninsula), the risk of fire is recurrent, both due to the climatic characteristics and the structure of the property.

Fire prevention is therefore one of the priorities in Ence's forest management. Thus, in 2020, the company invested 602,530 euros in prevention work, such as construction and maintenance of tracks and firebreaks, and surveillance of operations during the fire season.

Despite the company's efforts, the stands managed by Ence are not immune to this serious risk.

During 2020, a total of 2,667 hectares of Forest Heritage woodlands have been affected, mostly in the South.

Fire and the Almonaster Restoration Plan

During the last days of August 2020 and early September, a major forest fire broke out in Almonaster la Real (province of Huelva), affecting a total area of around 16,000 hectares, of which some 2,660 hectares corresponded to the Ence forest estate.

The fire affected relevant species of flora, such as *Erica andevalensis*, *Asplenium billotii*, and *Isoetes durieui*, the latter classified as vulnerable. There is no evidence of any impact on protected fauna species. However, the main effect is the loss of soil and its fertile layer with the consequent risk of erosion in the rainy season; loss of shelter and food for fauna, effects on the quality of water and air, etc.

In coordination with the environmental authorities of the Regional Government of Andalusia, Ence has implemented a plan to restore the affected heritage, which has resulted in the immediate start of emergency measures to prevent soil erosion and desertification, as well as other necessary measures to ensure the safety and conservation of the environment in the mountains.

The first and most urgent objective is to facilitate the recovery of plant covers. Therefore, in areas identified as being at high risk of erosion, barricades and fascines are being built with timber to retain the soil, reduce the volume of sediment carried and reduce the force of rainfall runoff. These measures also help to prevent the clogging of watercourses and reservoirs downstream of the river Odiel.

In addition to the actions in the Heritage, the company has collaborated with the Regional Government of Andalusia and SEO Birdlife by providing materials for similar work in areas not managed by Ence through volunteer actions.

Other activities carried out in the framework of this plan have been the restoration of tracks and entrances, and the felling of fallen or badly damaged trees, actions necessary to guarantee safety in the woodlands.

Throughout autumn 2020 and winter 2021, the evolution of ecosystems and the effectiveness of the Restoration Plan will be monitored in detail in order to take the necessary measures to guarantee the appropriate recovery of the affected areas.

Forest certification

A groundbreaking commitment to sustainable forestry certification

Ence's sustainable forestry certification project began almost 20 years ago with a twofold objective: on the one hand, Ence sought to transmit to society, through audits carried out by independent third parties and following internationally recognised schemes, the basic principles and results of environmentally friendly forest management. On the other hand, Ence also wanted to establish certification as an effective commercial tool for the forestry sector, which would revalue its products and improve the technical management of tree stands.

Ence's work involved the certification of its subsidiaries Silvasur and Norfor as the first PEFC™ certified forest managers in Spain and, subsequently, as the first forest managers with dual PEFC™ and FSC® certification.

Since 2012, Ence has adopted the role of promoter of certification in the forestry sector, collaborating and promoting the implementation of FSC® and PEFC™ forest certification in the micro-property in the northwest of Spain. To this end, it focused its efforts on adapting the principles of FSC® Sustainable Forest Management to the reality of small forest ownership and management in Spain, thus facilitating the application of sustainability criteria and the certification of these forest stands.

As a complement to the promotion of regulatory changes, Ence promoted the creation of certification groups for owners and suppliers to facilitate their technical and functional access to the FSC® and PEFC™ certification schemes. The promotion of dual certification (FSC® and PEFC™) in micro-owned forest stands has enabled owners to have better access to certified timber markets.

Ence has been a pioneer in Spain in promoting the certification of sustainable forest management, adapting FSC® requirements to the reality of micro-ownership in the Spanish context

After 20 years, the balance of Ence's commitment to forest certification can be considered very positive. In large forest areas, certification has involved technical improvements in management techniques such as improved management, biodiversity management, consideration of ecosystem services or the inclusion of landscape as a management element. However, it is in micro-ownership where the benefits of forest certification have been most relevant: certification has brought forest stands into administrative compliance, improved traceability in supply chains, reinforced legality in the contracting of forestry services and workers, and promoted safety in forestry work. All these improvements, resulting from forest certification, can be considered a success story.

Ence's challenges in the short term are the promotion of new certification tools, such as Madera Justa, which focuses on the social aspects of management, and the creation and implementation of management improvement tools applicable on a very small scale.

"As Head of FSC® Spain and representative of part of the national timber industry, I believe we should congratulate ourselves for the improvements that FSC® certification has brought to the Spanish forest. Leaving aside the availability of certified timber on the market, I would like to highlight the benefits that we have seen in forest micro-ownership where, through this market tool, it has been possible to significantly improve the traceability of its administrative management, communication between the different agents involved, including the regional administration, the safety in forestry work and the awareness that we have to commit to continuous improvement in the management of our resources."

Genoveva Canals Revilla, Head of FSC® Spain and Secretary-General of ANFTA, the National Association of Wood Panel Manufacturers

Certified surfaces and materials

Ence, as a reference player in the field of sustainable forest management, has once again maintained its actions based on the principles of forest certification, both in the stands managed directly by the company, FSC® (license code FSC®-C099970) and PEFC ™ certified, and through the promotion of these principles in the case of stands owned by third parties that form part of its supply chain.

85.6% of the surface area managed by Ence is certified under one of the certification schemes (FSC® or PEFC™)

Ence's commitment to certification in its assets and supply chain is reflected in the supply of certified materials to the biofactories.

In 2020, the percentage of certified timber entry has reached 78.3%, above the target of 75% for the year. Although the current percentage of certified timber consumed by Ence is slightly lower than in previous years (due to the increase in the total volume of wood), the consolidation of growth over the last decade is a clear indicator of Ence's commitment (as promoter), as well as the commitment of the sector (as producer) and the community (as consumer) to the development of sustainable forest management.

Ence's main production target is eucalyptus wood, but sustainable management extends to all forest production from the certified area. In 2020, Ence sold forest products from certified forests, such as timber from different hardwood and coniferous species and around 1,776 quintals of cork.

Species marketed by third parties	Volume (m3)
Wood genus *Eucalyptus*	179,931.1
Cork	4,737.2
Wood genus *Pinus*	128.7
Wood other hardwoods	22.3
Overall total	**184,819.4**

New certification projects: Fair Trade

Since 2015, Ence has worked on extending the forest certification project to areas complementary to sustainable forest management certification, promoting pioneering tools in the forestry sector.

Thus, thanks to an agreement signed with the **Development Cooperation Foundation (COPADE)**, Ence has collaborated in the implementation and development of fair trade requirements in the forestry sector.

Madera Justa's standards are based on the necessary environmental sustainability (woodlands previously certified in sustainable forest management) and establish additional social voluntary requirements, such as fair prices in transactions of products and services, recapture of benefits

from forest trade to local communities, advanced requirements of non-discrimination in the treatment of people or voluntary commitments in terms of occupational risks.

The aim of Madera Justa's standard is to combine the achievement of environmental objectives in forestry with the improvement of the social aspects of management in a rural environment where this type of policy generates special added value.

In 2020, after two years of implementation, monitoring and certification of requirements, Ence sold the first batch of "Madera Justa" certified pulp, so that one of its customers and collaborators, Papelera de Brandia company, could achieve the **first production of Madera Justa certified paper in Spain**.

Madera Justa certified pulp comes from FSC®-certified sources whose origin is Ence's forest heritage and standing timber purchases from Galician small forest owners and joint-owners of commonly-owned woodland.

The profits generated by these sales allow Galician forest owners to avoid abandonment and lack of forestry in forest plantations and to apply an efficient and sustainable production model, improving their environmental management and favouring the management of forest crops, the phytosanitary improvement of stands and fire prevention.

It also makes the timber market more transparent. With this milestone, Ence is at the forefront of forest products with high environmental and social requirements.

"At Papelera de Brandia, we are aware of the importance of preserving the natural environment and the importance of making society aware of the responsible use of forest products. That is why we have made a commitment to work day by day in line with the United Nations Sustainable Development Goals (SDGs), developing products that ensure that environmental, economic and social criteria are met at all stages of our manufacturing process. That is why we integrate Fair Trade principles into our chain.

As a result of our commitment, during 2020, we have manufactured for the first time a product with the "Madera Justa" certificate, which uses raw material certified in the same way by Ence Energía y Celulosa, S.A. This action has allowed both companies to develop this initiative and contribute to environmentally and socially sustainable development in Galicia, guaranteeing productivity, maintaining biodiversity and preserving the ecological processes of the forest, as well as creating opportunities for economic and social development, so that small forestry producers can improve their access to the Fair Trade and Responsible Consumption market. Papelera de Brandia also wants to contribute to the mitigation of climate change and that is why during the year 2021 it will be registered as carbon neutral by offsetting all the emissions generated in its daily activity. For us, the promotion of initiatives such as the promotion of Fair Trade, with a partner such as Ence, represents an important commitment to sustainability and the circular economy".

Gaspar Barreras. Managing Director of Papelera de Brandia

Generating markets for responsible forest products

The **Alliance Project for the conservation of woodlands through the generation of a responsible market** is an initiative led by Ence and COPADE and backed by a PPPD (Public-Private Partnership for Development), together with other companies, local producers and retailers, as well as local administrations, civil associations, foundations, workers' representatives and other stakeholders in the Viveiro area.

The aim of the project is to protect the natural, cultural and social values of the territory, while at the same time generating a sustainable economic activity that contributes to preventing its depopulation. This PPPD, unique and pioneering in Spain,

will allow the creation of a physical space in our country that meets the highest environmental and social standards in which products are produced with BIO and local Fair Trade seals in food, and FSC® and Madera Justa in the forestry sector, responding to the growing demand for sustainable and responsible products.

The work, which began in 2020 and will continue in 2021, will be carried out, with Ence's support, by the COPADE Foundation together with other partners such as FSC®, USO, Azentúa and the Global Nature Foundation. These entities, starting from a certified forest area of the Viveiro Landowners' Association (PROMAVI), will analyse a model of integrated rural development through the extension of sustainability certifications to all productive fields in the area, thus increasing their quality and marketability criteria, and the positive impact on the social and economic development of the environment.

In this way, certified timber will be joined by other local products that can carry the Fair Trade label. The project will also develop mechanisms to ensure that agri-livestock and forestry products from the area that meet the required characteristics have an assured channel for their commercialisation. The project is estimated to have 15,500 indirect beneficiaries.

This initiative, which is financed by the Ence Pontevedra Social Plan, follows the lines of sustainable management of natural resources, the promotion of forestry certifications and the fight against the abandonment of rural areas, the basis of Ence's sustainability strategy in the agroforestry environment.

Public-Private Partnerships with SDG 17 have been a common practice in the way COPADE Foundation relates to its environment. That is why the alliance with the company ENCE has allowed us to collaborate with the entire Spanish paper sector to achieve the first FSC® and Madera Justa products in the world, which means that Fair Trade is here to stay in Spain in a sector as important as forestry. As a result of this collaboration, we have launched the first FSC® and Madera Justa paper bag in the world and its origin is entirely Spanish, which is undoubtedly a source of pride for the Spanish companies involved. We will continue to work with ENCE and its chain of customers and suppliers to favour small Spanish forestry producers, always in the climate of trust and good understanding that the company has shown us.

Javier Fernández Candela. Head of the COPADE Foundation

Protection of biodiversity

GRI 304-2, GRI 304-3, GRI 304-4, GRI 413-2, GRI 414-2

Ence understands that sustainability in any action in the natural environment necessarily involves an appropriate approach to biodiversity management and the company applies specific measures to ensure its protection in all its actions.

Forest management and biodiversity conservation

Logging activities, if not carried out in a way that respects the natural values of the forest, can have negative impacts on biodiversity, affecting the habitats of vulnerable species and preventing adequate connectivity between populations.

In the case of Ence, the sustainable forest management guidelines applied by the company in its activities seek not only to minimise these impacts, but also to actively promote the protection of biodiversity, designating conservation areas in which no timber harvesting is carried out and defining those areas in which harvesting must be carried out with special precautionary measures.

All Ence's activities are carried out under the administrative control system which, with regard to biodiversity, in the case of managed woodlands, requires a prior impact assessment before they are approved, and in the case of unmanaged woodlands, they are subject to administrative implementation conditions in the case of actions in sensitive areas.

The sustainability guidelines defined by Ence establish that the company's forest management will pursue not only the conservation but also the promotion of biodiversity. This orientation

affects the entire area under management, but especially the areas with high biodiversity values, which are considered as protection areas. The first step towards effective management of biodiversity protection in Ence's forest heritage was to identify the heritage areas whose priority management objective will be conservation. The function of these areas is to ensure the diversity of habitats, species and landscapes. Complementarily, areas where it is necessary to consider restrictions on forest use to prevent erosion phenomenon are also taken into account.

22.5% of Ence's heritage area is earmarked for the conservation of ecosystems

In all these conservation areas, an inventory, characterisation and assessment of the conservation status of the different plant communities identified and their correspondence with the **Habitats of Community Interest (HIC)** has been carried out. These studies have enabled the company to identify **High Conservation Values (HCVs)**, due to their biological biodiversity, their landscape value, the presence of rare or threatened ecosystems, their capacity to provide basic environmental benefits, and their contribution to satisfying the basic needs of local communities, including their cultural identity, already recognised by the Public Administrations or by reports or studies that accredit this.

In areas where HICs are identified and classified as HCVs, their conservation status is assessed according to criteria associated with Article 17 of Directive 92/43/EEC (on the conservation of natural habitats and of wild flora and fauna) and those generated in this respect by the Ministry of the Environment and Rural and Marine Affairs. For the assessment and monitoring of the conservation status of HCV areas, the following indicators are taken into account:

- ✓ Current and potential area within protection areas and/or HCVs.
- ✓ Degree of isolation.
- ✓ Number of characteristic species or bio-indicator of the identified plant unit.
- ✓ Invasion of exotic flora, occupied area and danger of detected species.
- ✓ Presence of protected or threatened taxons, number of species and relative abundance.
- ✓ Signs of fire damage.
- ✓ Detection of damage due to biotic and abiotic effects.

Once the conservation status of each habitat has been assessed, management is geared towards not only preserving but also improving the ecological function of the network of conservation areas in Ence's forest management units, trying to increase the surface area and connectivity of the habitats, improve their floristic richness, reduce the presence of invasive and non-native species, and promote the protection of protected species.

Actions and tools for biodiversity protection

Among the most common actions to move towards the ecological improvement of conservation areas are the elimination of alien or invasive species.

Elimination of Tritonia crocosmiiflora in Cernadas woodland, Val do Dubra (A Coruña)

One of Ence's main tools for guiding its biodiversity conservation and promotion policy is the studies carried out on its property woodlands to identify the plant communities and thus assess their level of conservation and appropriate management strategies.

In 2018, monitoring of the conservation status of the HICs identified by Ence began, with the collaboration of local experts. The results of the work carried out in the woodlands of the Southern Heritage Area have been developed within the framework of a Doctoral Thesis presented this year at the University of Huelva.

"The study carried out in the woodlands managed by Ence in the southwest of the peninsula shows that it is possible to develop and apply a protocol for the identification, evaluation and monitoring of conservation areas in forestry operations. The application of this protocol has contributed to the maintenance and improvement of biodiversity in forest management, and has achieved compliance with the requirements established by the FSC® standard.

Due to the use of objective criteria compatible with the Habitats Directive, this strategy can easily be applied to other forest holdings in Europe. In order to establish whether this methodology could be applied to other countries outside Europe, its compatibility with other conservation strategies needs to be tested. In any case, the proposed strategy could at least serve as a preliminary outline for work in these countries.

The Habitats of Community Interest located in Ence's FSC® certified woodlands in Huelva are in an optimal state of conservation and, therefore, compatible with the sustainable use of

woodlands. There are numerous communities and species that guarantee a level of biodiversity comparable to other parts of the province, including protected areas."

Antonio José Sánchez Almendro, PhD in Biological Sciences

Biodiversity in Ence's woodlands

Habitats of Community Interest (HIC)

In the conservation area as a whole, 20 EU habitat subtypes have been identified and analysed, 4 of which are listed as priority habitats under the Habitats Directive (3170*, 4020*, 6220* and 91E0*), represented by 49 different phytosociological communities or formations. The biodiversity values identified in the forests managed by Ence indicate that their level is even slightly higher than the most representative protected area in the study area of the aforementioned doctoral thesis of the University of Huelva, such as Sierra de Aracena and Picos de Aroche Natural Park, which covers 186,795.16 hectares and has 16 types of habitats.

Other relevant results have been the identification, location and cataloguing of 279 populations of threatened flora, many of which are new, such as the populations of *Isoetes durieui* (13), *Erica lusitanica* (47), *Cynara algarbiensis* (51) and *Lavandula viridis* (67), which will contribute to their re-cataloguing, if appropriate, according to IUCN parameters. Likewise, 7 invasive alien species have been identified, listed in Royal Decree 630/2013, and another 10 with invasive potential not listed in this regulation, which will help to control or eradicate them.

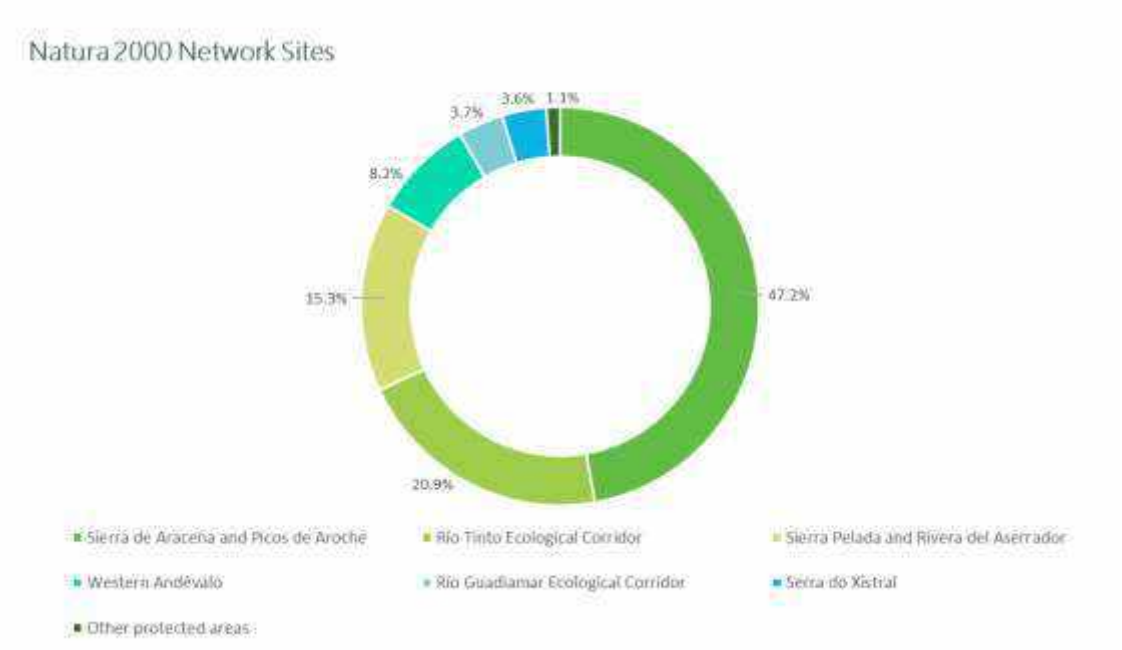
High Conservation Value (HCV) Areas

Of the 65,824 hectares of land managed by Ence, 8,717 hectares (13.2% of the total area) are classified as HCVs.

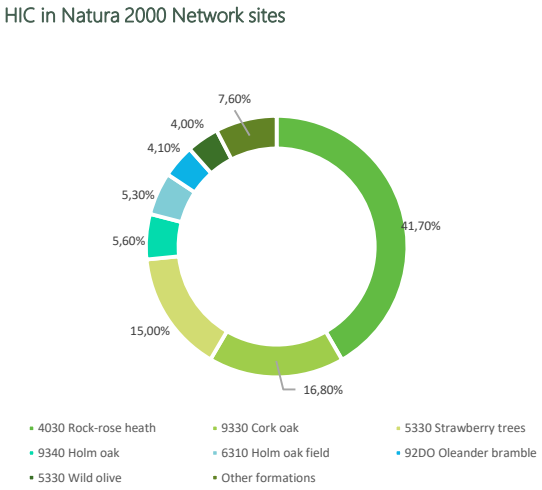
Within these areas, the main formations in terms of extent correspond to the habitats of the rockrose-heath (4030), cork oak (9330) and strawberry tree (5330) and the Atlantic wet heath (4020) of priority importance. The rest is made up of a total of 53 plant associations, including, among other priority HICs, the alluvial forest of *Alnus glutinosa* and *Fraxinus excelsior* (91E0) with 36.63 hectares present in both the northern and southern regions.

Natura 2000 Network

The forest area managed by Ence includes up to 10,665 hectares of Natura 2000 network sites, which represents a total of 16.2% of the total area managed. Of these areas, we should highlight by extension the Sierra de Aracena and Picos de Aroche (ES0000051), the Río Tinto Ecological Corridor (ES6150021) and the Sierra Pelada and Rivera del Aserrador (ES0000052). The rest is made up of a total of 25 sites protected by the Natura 2000 Network.



These areas are managed in accordance with the flora and fauna present in them, with a special focus on the Habitats of Community Interest identified within the Network's areas. These HICs cover a total of 2,811 hectares where a total of 28 plant formations are present.



Identification of unique features

Ence's forest management also involves the identification and management of unique elements present in the forests. In 2020, Ence has revised its catalogue of singularities, which includes, in addition to environmental elements, others of a social nature. These elements are documented and taken into account for active protection.

Unique features listed	No.
Heritage Element	317
Flora/Protected-Relictual Species	82
Landscape Interest	8
Area of Social Interest	8
Unique Tree	5
Fauna/Protected Species	4
Unique Habitat	4
Overall total	**428**

Unique feature-Arca da Piosa dolmen in Coto Muiño, Zas (A Coruña)

Colonies of Woodwardia radicans fern, woodlands in Jarrio (Asturias). This species is considered to be of Special Interest in the Regional Catalogue of endangered species of flora of the Principality of Asturias.

Aliseda, Bachao woodland (A Coruña). Represents the habitat Alluvial alder forest (code 91E0) of priority concern

Sustainable use of biomass

By using residual agricultural and forestry biomass to generate renewable energy, Ence not only contributes to decarbonising the electricity mix, but also offers a sustainable solution to the serious waste management problem faced by the agricultural sector, avoiding illegal burning and the environmental and public health impacts it generates. By valuing this residual biomass, Ence contributes to the circularisation of the agricultural and forestry sector, while creating quality employment throughout its supply chain in the rural environment.

Sustainable management model

As in the case of timber, it is essential for Ence to ensure that the biomass it uses in its plants comes from sustainable sources. To ensure this sustainability, and given the lack of market standards equivalent to FSC® or PEFC™ for biomass, Ence opted to develop its own voluntary standard, in collaboration with environmental organisations. Thus, Ence developed and approved its **"Code for the Sustainability of Biomass as a Fuel"**, which establishes the company's principles of action in relation to the use of biomass, identifying what types of materials and under what conditions they can be used to generate energy.

Ence also aims to convey to its supply chain the need to implement and develop these principles, as it did with its timber sustainability policy, and thus act as a catalyst to drive the transformation of the sector and make it more sustainable and competitive. Thus, the application of the Code in its supply chain is regulated by Ence's Procurement Policy, approved by the Board of Directors in 2020 (available to all the company's stakeholders on its website).

During 2020, work has continued on implementing the voluntary requirements of the Code in the company and in commercial relations, deepening the mechanisms for identification, monitoring and control of the biomasses used.

Furthermore, Directive (EU) 2018/2001 of 11 December 2018 on the promotion of the use of energy from renewable sources (RED II) sets requirements, inter alia, for sustainability and greenhouse gas emission

reductions for biomass fuels. Within the framework of the provisions of this Directive, Ence launched the **biomass certification** project in 2020 to establish the necessary mechanisms to demonstrate compliance with these requirements both at Ence and throughout its supply chain, with the ultimate goal of achieving certification for all links in the chain.

Ence Sustainability Code

As mentioned above, Ence's Code for sustainability is the key to guaranteeing the sustainable management of biomass as an energy source. The document establishes 10 principles of action, developed in 31 sustainability indicators, which the company undertakes to comply with in the supply and management of biomass. The principles of the Code are available to all the company's stakeholders on Ence's website.

Work on the development of the Code began in 2017 and, since its approval, Ence has worked on its implementation and dissemination throughout its supply chain. Thus, during 2018 and 2019, tools and procedures were developed for capturing sustainability information on agroforestry purchases and for measuring the degree of compliance with sustainability indicators for these biomasses.

Building on this progress and with the tools already in place, efforts throughout 2020 have focused on maintaining and improving the progress already made and on developing and implementing a system of internal inspections to analyse in detail the degree of compliance and detect opportunities for improvement.

On the basis of these first years of implementation, in 2020 Ence has also worked on a revision of the Code, with a twofold objective: to refine and expand the scheme of indicators associated with the principles and to extend it to industrial biomasses, i.e. those biomasses that do not come directly from the natural environment but are generated in industrial processes such as the olive pomace from the oil industry.

The new version of the Code, already approved, will come into force on 1 January 2021 and over the next year, Ence will work on its implementation, with a special focus on the new indicators and industrial biomasses.

Ence is committed to the biomass sustainability code and, within this framework, will continue to work in the coming years to implement the indicators that to date have not yet been addressed. By the end of 2020, Ence can guarantee that all the agroforestry biomass consumed in its plants meets **66.8% of the indicators, exceeding the target set for this year (65%).**

It should be noted that this biomass comes from the forestry sector (44.1% of the biomass comes from forestry waste, bark and firewood), the agricultural sector (34.8% from crop waste and residues), and the agroforestry industry (21.1% from sawmill waste and pomace, among others):

Biomass type	q	%
Agricultural	625,846.4	34.8%
Industrial	378,738.9	21.1%
Forestry	793,485.4	44.1%
Total	**1,798,070.7**	**100%**

Solving the challenge of agricultural and forestry waste management

Harnessing the energy potential of the residual agricultural and forestry biomass used by Ence not only contributes to decarbonising the energy mix. The use of these residues has other important environmental advantages, such as avoiding their uncontrolled burning in the countryside and helping to prevent forest fires, which particularly affect woodlands with poor management. In this way, Ence not only adds new value to this waste, but also solves major challenges in the agricultural and forestry sector, while at the same time building value chains for its use and transport.

Ence faces the challenge of recovering agroforestry waste in different ways depending on the type and origin of the waste through specific projects.

The so-called **Sarmiento Project** aims to provide a sustainable solution to the disposal of this type of waste in Castilla-La Mancha. The project, in addition to avoiding the diffuse emissions caused by burning vine shoots in the field, has generated an additional value chain in the La Mancha wine sector, beyond the harvesting of grapes and their sale for wine production. Thus, at its Puertollano plant, Ence recovered 43,788 tonnes of vine and vine pruning waste in 2020 to generate renewable energy.

The **Pomace Project** has the same objective: to use agricultural waste (in this case after industrial processing for oil production) to produce energy. Pomace is a highly polluting material whose management is complex and represents a major environmental challenge, so the solution offered by Ence for its recovery has been very well received by the sector as a response to this challenge. In 2020, Ence mobilised 366,841 tonnes of pomace for energy use.

"Ence is committed to new raw materials. Specifically in the case of pomace, its use by Ence means eliminating an environmental management problem, helping the sector"

Alvaro Serrano, Supply Manager of ACESUR

In the same way that the use of agricultural residues eliminates an environmental problem, the use of residues from forestry works plays an important role in contributing to the reduction of the fuel load in the woodland and thus the risk of fires.

But Ence's use of this waste not only helps to clean up the woodland, but also contributes resources to the rural environment, through the work necessary for its management. Autonomous Communities such as Galicia and Asturias, where there is intense forestry activity and, therefore, waste production, which have a complex ownership structure and great logistical difficulty in forest fire prevention work, benefit greatly from this option.

"The Principality of Asturias has established as one of the cornerstones of its forestry policy the revaluation and new forestry uses, with biomass being one of the future axes of forestry production in Asturian woodlands. To this end, the aim will be to adapt the productive and orographic reality of Asturian forests to what is a realistic and efficient demand for this resource. Biomass is no longer a by-product of timber activity, but a primary resource in its own right. Its use as a source of electricity is important, but also its application as a heating fuel (woodchips and pellets), its use in derivative products with high added value (gases, fuels, oils...) and the high capacity to generate employment and activity that they entail, are elements that in themselves deserve their own strategy with their own legal and regulatory development. Priority should be given to production that generates greater profitability, innovation and added value. It is also a determining factor in the fight to prevent fires, by reducing the mass of fuel in the Asturian woodlands, making the most of this fuel"

Fernando Prendes, General Manager of Forestry of the Principality of Asturias

Timber and biomass traceability. Supply chain monitoring

GRI 102-9

Ence extends the sustainability criteria it applies in its activity to its entire supply chain, both to the agricultural and forestry owners from whom it buys directly through the "purchase on the hoof" modality, and to suppliers.

The supervision and monitoring of supply chains through traceability mechanisms is the tool used by Ence to ensure compliance with regulatory and sustainability requirements, both at source and throughout the logistics process in accordance with the company's requirements.

Regulatory framework

To ensure that the timber and biomass from forests and agricultural crops from Ence's woodlands, standing timber or supplies purchases are made with the utmost respect for legality, Ence defines a series of principles of action that comply with Spanish regulations (RD 1088/2015 on timber legality) and international regulations (EUTR Regulation 995/2010 on due diligence). These principles can be extended to all materials that do not have a specific regulation and are included in the company's **Procurement Policy**, in its **policy on the legality of timber and biomass** and in its **due diligence regulations** for timber legality.

The timber and biomass legality policy establishes the company's commitment to consume timber and biomass from land where all current regulatory requirements are met, in addition to the voluntary requirements acquired by Ence at the time of acquisition. In addition, the policy includes Ence's commitment to reject any material that is proven to have been illegally

harvested or to have affected protected elements of natural, archaeological, cultural or social assets incompatible with its use.

In its Procurement Policy, Ence also undertakes to prioritise and promote the consumption of timber from certified forest stands, under the FSC® and PEFC™ certification schemes, and is committed to complying with the ten Fair Trade Principles established by the World Fair Trade Organisation (WFTO).

In order to transmit these requirements to its supply chain, Ence has implemented a **system for evaluating timber and biomass suppliers**, which ensures compliance with these principles and analyses different aspects of the supply (source of the timber or biomass, regulatory permits, etc.). The system includes a monitoring and auditing programme that ensures compliance with the criteria set out in the company's timber and biomass legality policy.

Ence has also established a private and individual **due diligence** system in accordance with Regulation EUTR 995/2010 that affects all timber or timber products marketed by Ence for the first time in the European Union and whose sources of supply are: timber or forest biomass and standing timber purchases. In both cases Ence acts as "agent" (*operator*) and exercises Due Diligence, regardless of the genus or species involved and the use, energy or pulp production. In the case of timber or timber products purchased by Ence from other agents that have already traded in the European Union, Ence acts as a "*trader*" and Due Diligence is exercised by the suppliers.

Approval and evaluation of suppliers

Ence has a mechanism for approving timber and biomass suppliers to ensure that they comply not only with applicable legislation, but also with the sustainability commitments voluntarily adopted by the company.

The approval process allows Ence to have access to information declared by its suppliers in order to subject them to a pre-supply assessment that will determine whether or not they are included in Ence's Origin Verification Programme. The purpose of the Origin Verification Programme is to monitor the risk levels of Ence's suppliers in order to work to reduce them as much as possible and thus prevent undesirable situations within the scope of the Chain of Custody system or Ence's Sustainability Code.

The approval of timber and biomass suppliers is carried out on a biennial basis, unless certain conditions (such as changes in the regulatory framework, or relevant changes in the supplier's supply characteristics) make it necessary to carry out the approval more frequently.

Throughout 2020, the company has made significant efforts to ensure that the biomass and timber it receives comes from approved suppliers. To this end, in the first quarter of the year it implemented a blocking system in the scales of independent plants and biofactories aimed at preventing the entry of timber or biomass from non-approved suppliers.

Thanks to the development of the approval system, which allows blocking orders from suppliers that are not previously approved, Ence has achieved the **approval of 100% of the suppliers that supply timber and biomass** to its biofactories and independent power plants since the implementation of this improvement in May, thus fulfilling one of the sustainability objectives set by the company for this year.

The following table shows the current status of the approval of suppliers of products and services:

GRI 308-1, GRI 414-1

Categories	No. of active suppliers	% of approval	2020 Objective
Timber supplies	225	100%	100%
CEP timber intermediaries	41	100%	100%
Biomass supplies	328	100%	100%
Service providers	176	97%	-
Total	**770**	**99%**	-

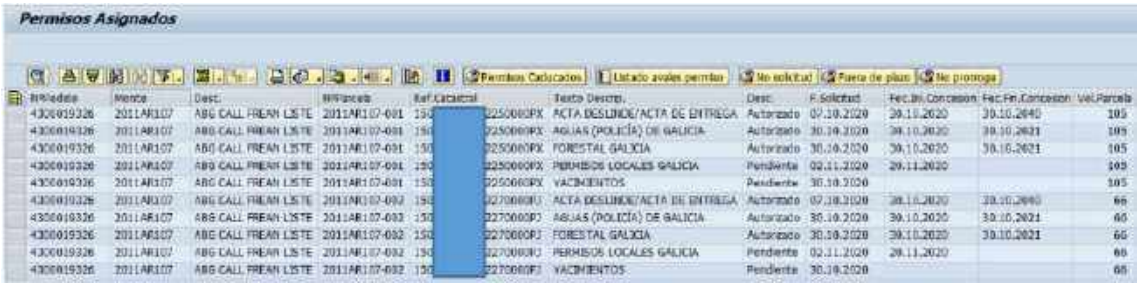
The accreditation project, which started with supply companies, is now focusing on service companies and will be completed in early 2021 with full approval of these suppliers. In order to speed up the approval process and facilitate its processing, Ence has also worked in 2020 on the digitalisation of the approval questionnaire, offering suppliers the option of completing the questionnaire via a web link, thus reducing the use of paper.

In 2020, Ence has also developed the Procedure to ensure regulatory compliance of timber and biomass suppliers, which aims to prevent non-compliance associated with these supplies and timber for sales to third parties related to mandatory (legislation) and voluntary (certification) regulations and Ence's internal regulations (Policies, Biomass Decalogue). In the last quarter of the year, this procedure was linked to Ence's contracts with its timber and biomass suppliers.

Mechanisms to control the traceability of timber and biomass

To ensure the legality and traceability of materials, Ence has implemented a timber traceability system that is certified by the strictest international chain of custody standards, FSC® (licence code FSC®-C081854) and PEFC™, which ensure the traceability of timber from its purchase in the woodland (timber from Ence's heritage and standing timber purchases) or at the door of the reception centres (timber suppliers), to its sale to pulp customers.

The control of the legality of the product supplied is carried out through the SAP platform, which allows the control and monitoring of all the exits from a woodland (in the case of standing timber purchases and heritage) and the entries from suppliers to the plant. This system provides all the information related to the product and the scale, such as volumes, densities, material, date and time of weighing, Chain of Custody and Forestry Management numbers associated with the supplier, etc., allowing the quantities supplied to be controlled at all times by means of an exact production control. In addition, for purchases of standing timber and timber from Ence-owned woodlands, the system provides and restricts the validity of the permits associated with each cadastral reference included in the order, ensuring at all times the control and monitoring of the products extracted from the plot and, thus, their traceability from the forest to the end consumer.



Example SAP permissions module for standing purchase woodland

System of inspections and audits

The mechanisms established by Ence to control the traceability of its supply chain are periodically verified by means of a comprehensive system of audits and inspections in the operational areas supervised by the Sustainability Department. In the case of timber, the FSC® (FSC® licence code FSC®-C081854) and PEFC™ certification schemes endorse Ence's control system with their annual audits, which for both timber and biomass has:

- External audits (carried out by a third party)
- Internal audits (carried out by the sustainability technical team reporting directly to the Directorate-General for Sustainability)
- Documentary and field inspections

The objective of these audits and inspections is to verify the adequacy of the Management System (SIGF and SIGFA) to the applicable regulatory requirements and standards, as well as to verify the functioning of the system and the response to the defined responsibilities, according to the **Internal Audits Procedure**.

For external audits, an annual review of the activities included in the scope of the integrated management system is established, although at the request of the certification body, extraordinary audits may also be carried out.

Internal audits are carried out on a monthly or annual basis, depending on their scope (forest management, origin verification programme, chain of custody, Madera Justa, biomass code). Documentary and field inspections are carried out on a continuous basis, according to the planning defined in the Monthly Inspection Plan.

Throughout 2020, a total of **705 monitoring actions** have been carried out to ensure control of the timber and biomass supply chain, 30% more than planned at the beginning of the year. Due to the measures defined in the general Covid-19 prevention protocol, in 2020 on-site inspections of woodlands have been reduced and documentary and chain of custody inspections have been reinforced.

Sustainability inspections. 2020		Done	Planned	%
Biomass	Origin verification programme	6	14	43%
	On-site inspection	22	28	79%
	Documentary inspection	166	143	116%
	Inspection of CC releases	96	96	100%
	Others	21	-	N/A
	Total Biomass	**311**	**281**	**111%**
Timber	Origin verification programme	10	12	83%
	On-site inspection of woodlands	47	55	85%
	Documentary inspection	253	185	137%
	Forest management	1	3	33%
	Chain of Custody	7	3	233%
	Madera Justa	1	1	100%
	On-site nurseries	0	2	0%
	Others	75	-	N/A
	Total Timber	**394**	**261**	**151%**

The results of the inspections carried out are summarised below:

Result of the inspection	Non approval/ Rejection of the material	Non-conformities to be corrected	Remarks for improvement	No remarks
Biomass	0.3%	37.6%	13.8%	48.2%
Timber	2.5%	22.1%	15.0%	60.4%

Ence's work in traceability, as a benchmark company in the timber sector in Spain, is particularly important as its control and monitoring systems, extended to its supply chain, set the sector benchmark which, aligned with administrative requirements, must guarantee the strength of the sector. A market as regulated and competitive as the timber market must provide society with maximum guarantees of origin.

The work led by Ence within its Forest Certification project (which includes traceability) over the last few years, in close collaboration with the sector (administration, owners and industry), has served to provide guarantees and strength to an extremely all-inclusive and complex supply chain and, therefore, very rich in social terms. It is everyone's responsibility, and Ence's as sector leader, to maintain the integrity of the chain and to continually reinforce it in order to continue contributing value to the sector and to rural society.

"In order to increase the guarantee of the origin and traceability of the timber cut in Galicia, it is essential to advance in the digitalisation of administrative procedures for harvesting, adherence to forestry models and the co-participation and co-responsibility of the Galician forestry sector. In this way, with a clear verification system, and with the commitment of the industry and the whole sector, we will achieve the transparency that today's market demands, as well as obtaining essential, real and up-to-date statistics.

José Luis Chan, General Manager of Forest Planning and Management- Xunta de Galicia

Commitment to human rights throughout the supply chain

As expressed in its Code of Conduct and Sustainability Policy, Ence is committed to respecting internationally recognised human rights, as set out in the United Nations International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work and its conventions. The company is also committed to preventing its own activities from causing or contributing to negative human rights impacts and seeks to prevent negative human rights impacts directly related to operations, products or services provided in the framework of its business relationships, even when Ence has not contributed to them.

Given that Ence carries out its forestry and industrial operations in European Union countries, where there is an advanced regulatory framework that protects these rights, the risk of human rights violations is considered to be low. However, the company, acting with due diligence in this area, has put in place mechanisms to ensure the protection of human rights throughout its supply chain.

Thus, Ence has included as a specific requirement for the contracting of suppliers that both contracts and approval questionnaires be subject to clauses that guarantee the suppliers' commitment to internationally recognised Human Rights, as set out in the United Nations International Bill of Human Rights and the Universal Declaration of Human Rights, and the Covenants included therein (the International Covenant on Economic, Social and Cultural Rights and the International Covenant on Civil and Political Rights).

In the same way, requirements have been included to guarantee the development of its activities in compliance with the applicable regulations and the Guiding Principles on Business and Human Rights and the Principles of the United Nations Global Compact, as well as, for multinational companies, the ILO (International Labour Organisation) Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy and the OECD (Organisation for Economic Co-operation and Development) Guidelines.

Generating value and extending good management practices to agricultural and forest owners

Forestry extension as a management practice

GRI 308-2, GRI 413-1

Ence carries out its activity hand in hand with its collaborators. Farmers and forest owners, companies supplying timber, biomass and services, public administrations and civil society organisations are the allies Ence needs and with whom it wants to work hand in hand to move towards a more sustainable management model.

Ence holds a leading position in the Spanish timber forestry sector, promoting practices such as forest management, certification and other sustainability policies in the sector. Also in the agricultural sector, despite working for only a few years, Ence has become a benchmark for the promotion of pioneering initiatives such as the application of sustainability requirements in the use of biomass.

This leadership is based on the ability to share experiences, knowledge and technology with the company's collaborators, in the conviction that only if all the links in the chain move in the same direction as Ence can the sustainability of the value creation model be guaranteed.

This work of extending good forestry and agricultural practices is therefore a key objective of Ence's technical team, which is articulated both through formal actions and in daily interaction with its collaborators.

However, Ence not only wants to communicate its sustainability policies and provide mechanisms to implement them, but is also open to receiving information on the needs of its collaborators to improve, innovate and advance in different aspects of management. Ence's extensive network of field staff (asset managers, timber and biomass buyers, technicians from various areas) collaborates with the sector on a daily basis to achieve this.

Support and training for owners and service companies

The transmission of know-how through training and awareness-raising activities is one of the pillars of Ence's forestry extension work.

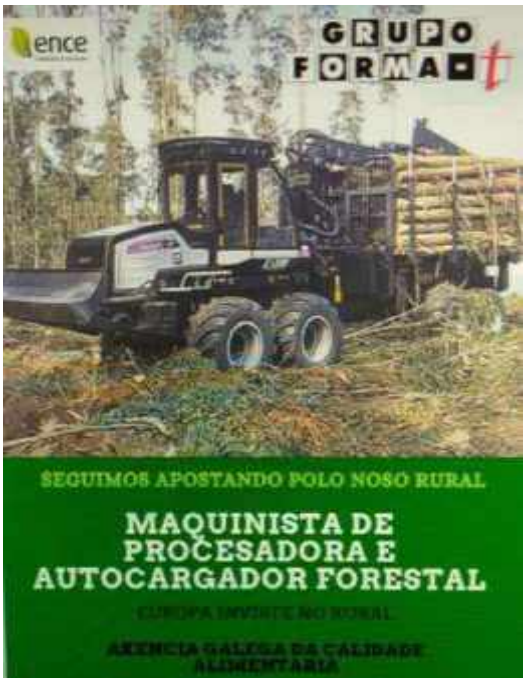
However, in 2020, many of the planned actions have been disrupted by the health situation, which has made field work extremely complex. The necessary prevention measures established in Ence's protocols have limited personal contacts and many of the initiatives, but on the other hand, the fact that Ence has been able to maintain its forestry and agricultural activity has had a very positive social impact, becoming a refuge company for the rural sector. Income generation, timber and biomass payments, and contracting of services have been maintained, while ensuring the protection of all company employees.

In order to maintain activity, Ence reacted by taking exceptional measures, such as the opening of numerous external parks to absorb the work of contract workers who, coming from unemployed sectors, sought work at Ence.

Nevertheless, it has been possible to make progress in some of the usual lines of extension, especially since the first four months of the year, when the sector began to adapt its operational tools to the health alert and mobility restriction situation.

As part of the GOSSGE plant health initiative, of which Ence is a partner, the company took part in a train-the-trainer activity for biological controllers of *Gonipterus platensis* (eucalyptus pest), aimed at promoting biological control of the pest. The activity took place at the Ence nursery in Figueirido.

2020 also saw the start of a new course at the **School of Forestry Operators**, an initiative led by Ence in response to the sector's demand for vocational training fully adapted to market needs.



Logging capacity in Galicia and Asturias has traditionally limited the development of local activity. To meet this challenge, Ence

financed the first edition of the school's course in 2019 and in 2020 two promotions have been launched (the first with a total of 15 students and the second, still in progress, with 9 students). In addition to the funding derived from the Ence Pontevedra Social Plan, the company provides machinery valued at more than €300,000, which is necessary for the internships. Ence also collaborates with its own technical staff in the development of the training plan and master classes.

In the field of knowledge transfer, Ence has participated in virtual training initiatives such as the online seminar "Remote data in forest management. An industry perspective" where the value of remote sensing tools in professional forest management was analysed.

Ence also plays an active role in promoting biomass for energy use. Thus, in 2020 Ence participated in the conference on "Biomass Potential Uses" which, as part of the "Circular Bioeconomy Thursdays" sponsored by Cajamar in collaboration with the Regional Government of Andalusia, dealt with the generation of biomass in primary sectors, its energy recovery and generation resulting from its use, all as a model of circular bioeconomy.

Apart from these one-off activities, Ence's forestry knowledge dissemination activity is reflected in its daily work with collaborating companies. These include:

- Eucalyptus Forestry Training I-IV (4 days, June-July 2020)
- Eucalyptus Forestry Training in Portugal (5 days, April-May 2020)
- Forestry health and safety training, in Spain and Portugal (21 days)
- Training on various social issues: safety in timber transport, machinery and chainsaws, harassment protocols, ILO conventions (73 trainings)
- Webinar on Forest Fire Prevention Plan (1 day, May 2020)

These training activities are provided at all levels, thereby improving the professional training of people working in the forestry sector by providing qualifications, experience and the acquisition of work techniques, as well as hygiene and safety habits.

Generating value in the rural environment.

GRI 203-2, GRI 204-1

Ence's activity in rural areas generates value and contributes to guaranteeing the economic sustainability of the forestry sector. Through its purchases of timber and biomass and its contracts with harvesting and logistics companies, Ence stimulates the local economy, generates employment opportunities and thus contributes to halting the abandonment of rural areas. Population settlement not only has positive social impacts, but also contributes to the conservation of cultural heritage and the protection of the natural environment, for example by reducing the risk of fires in abandoned woodlands.

In this sense, Ence's policy is to combine supply through direct purchases and suppliers, ensuring that small supply companies always have a place in order to favour sector broadening.

In direct purchases (standing purchases) Ence deals directly with the owner, either individual owners or associations. In these cases, Ence manages the harvesting and transport of the timber and biomass with companies contracted for this purpose. The standing purchase method is of particular interest from the point of view of sustainability, as direct contact with the owners allows Ence to gain first-hand knowledge of their concerns and at the

same time transmit knowledge about aspects of relevance to them.

In 2020, a total of 779,454 m3 covered surface of timber was purchased under this modality from 1,395 owners, for a total amount of 28.56 million euros. Of this amount, 78% went to small landowners.

The suppliers carry out all the work of collecting, harvesting and transporting timber from the forest to the factory gate. In this case, the transmission of sustainability policies is organised through mandatory approval requirements, which are verified by the sustainability team and audited as part of a origin verification programme.

In the case of timber suppliers, 71.3% of the total volume supplied corresponds to small suppliers, with an end-of-year target of 72%.

In 2020, the quantity supplied to the biofactories totals 2,170,801 m3 covered surface of timber, for a total amount of 142.91 million euros.

In addition to creating value through its purchases, Ence promotes complementary measures to transport timber and benefit owners and suppliers. These include point programmes and oversized timber programmes.

The Oversized Timber Programme aims to locate old-growth eucalyptus stands with oversized trees in order to facilitate the flourishing of such timber to the market. This measure, which has involved a total of 349,585 m3 covered surface of timber to date, has a dual objective: on the one hand, it favours the access of absentee owners to the timber market, freeing up forest stands that are difficult to manage due to their age and size; and, on the other, the replacement of ageing stands, with little net growth, with new ones. To this end, Ence provides new plants from its nurseries to landowners, which not only rejuvenates the forest stand, but also allows the implementation of trees of better genetic quality, better forestry techniques and sustainability requirements.

The points programme for harvesting contracts and suppliers has been designed to reward Ence's collaborating companies, which can accumulate points for work carried out and subsequently exchange them for machinery and personal protective equipment (PPE).

This encourages good practice in the execution of work and contributes to the renewal of equipment and the safety of contractors. Throughout 2020, 113 grants have been channelled for large machinery (processors, forwarders), 253 grants for small machinery (chainsaws, brush cutters), 64 grants for nurseries and 582 PPEs have been delivered.

This set of initiatives is a key part of helping forest owners and professionals in Ence's environment to grow.

"The forest is the wealth of the poor Galician farmers who did not emigrate, with the help of companies like Ence, we are making the most of it and tidying it up"

Francisco Ares, Head of Fomento Forestal Association

As in the case of timber, in the supply of biomass, Ence also tries to favour access to the market for small suppliers to help broaden the sector and distribute the positive economic and technical impact that Ence can bring.

In the case of biomass, the supply from small suppliers at the Navia and Pontevedra biofactories amounts to 99%.

In stand-alone power plants, the situation is different because, being residual and widely dispersed materials, larger utilities play an important role in channelling these biomass flows. Thus, the percentage of small supplies ranged from 15.0% at the Enemansa plant to 74.3% at the Huelva plant.

With its biomass purchasing activity, both direct purchase of standing biomass and supplies, Ence has mobilised around 1.8 million tonnes of biomass worth more than 62 million euros for agroforestry owners and suppliers.

Climate action

As part of its commitment to climate action, Ence aims to contribute to climate change mitigation by reducing greenhouse gas emissions from its activities and helping to decarbonise the energy model through the generation of renewable energy. In this line, Ence also seeks to offer solutions in the management of agroforestry waste for energy recovery, avoiding diffuse emissions and reducing the danger of fires, one of the main threats to carbon sinks in Spain.

Ence is also making progress in adapting to climate change, studying scenarios and analysing the risks and opportunities arising from it.

By working along these lines, Ence contributes to SDG 7, increasing the proportion of renewable energy in the electricity mix and reducing emissions from energy production, as well as to SDG 13, strengthening resilience and the capacity to adapt to climate-related risks both in the company itself and in its supply chain, especially among forest owners.

Climate change mitigation

The climate crisis facing the planet requires a paradigm shift in the production model on a scale only comparable to the industrial revolution. This urgent and necessary change involves decarbonising the economy and decoupling economic growth from greenhouse gas emissions, so as to keep the effects of climate change at moderately acceptable levels, such as those set out in the Paris Agreement goals.

In this context, the European Union has set the ambitious goal of achieving climate neutrality by 2050. To achieve this, it is crucial both to reduce direct emissions from industry and to decarbonise the electricity mix, in order to reduce emissions from power generation. In line with European and national objectives, Ence is actively working in these two areas:

- Setting emission reduction objectives for its installations: Ence has set an objective of **25% reduction** in specific Scope 1 and 2 emissions from its biofactories by 2025 compared to the base year in which the company started to analyse its carbon footprint in an integrated manner (2018).

- Generating renewable energy in its biofactories and independent power plants, while promoting self-consumption of renewable energy generated in its own plants and improving energy efficiency
  Thanks to the renewable energy generated by Ence in 2020, the emission of some 677,000 tonnes of CO_2 has been avoided.

In addition to actively contributing to climate change mitigation through these actions, Ence, like the rest of the forestry industry, plays a key role in achieving carbon neutrality in Spain, thanks to the carbon capture and storage function performed by forestry plantations. In this regard, ASPAPEL estimates that in 2019, the amount of carbon stored in plantations for the paper sector amounted to about 12.7 million tonnes, i.e. more than 46.5 million tonnes of CO2 equivalent.

Carbon footprint analysis

As a first step in defining mitigation strategies, in 2018 Ence began analysing the carbon footprint of the organisation and its main products (pulp and energy generated by its plants).

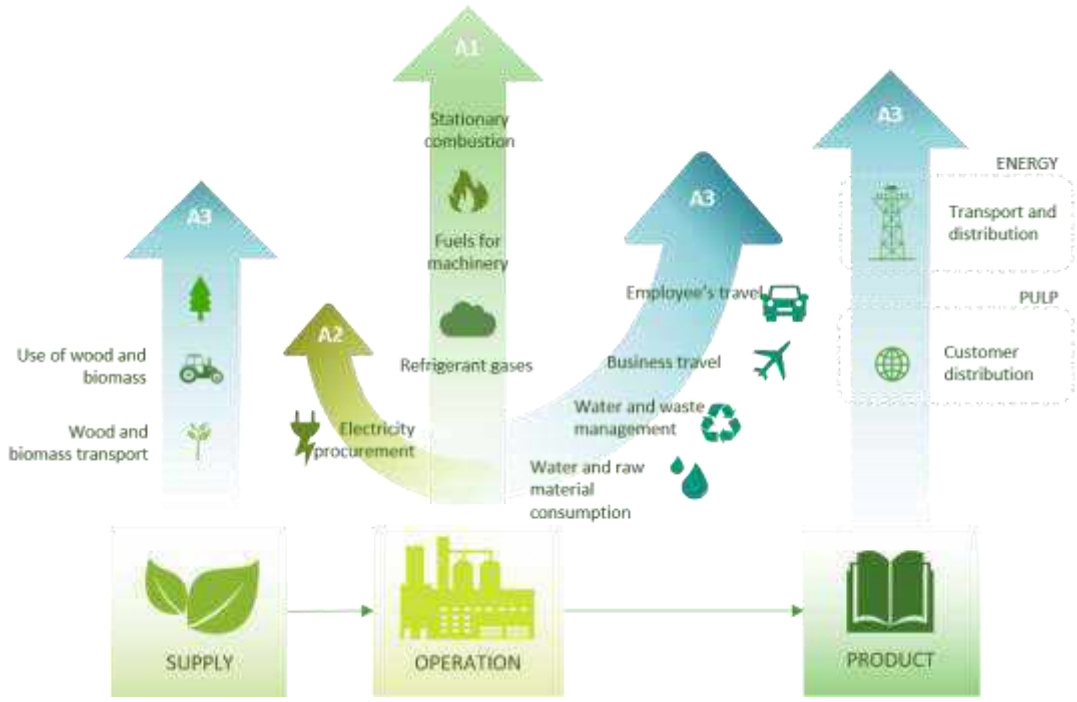
This exercise has been planned following the guidelines of the Corporate Accounting and Reporting Standard of the Greenhouse Gas Protocol (GHG Protocol) and its calculation tools for the pulp and paper industry (*Calculation Tools for Estimating Greenhouse Gas Emissions from Pulp and Paper Mills*), and the ISO 14064-1:2019 standard for the calculation of the organization's footprint and the ISO 14067:2018 standard for the calculation of the product's carbon footprint, all of which are reference documents in Europe and Spain concerning the quantification of emissions.

The results of the analysis are subject to independent external verification with reasonable scope to ensure both the accuracy of the results and the adequacy of the protocol and the calculation tools.

The calculations have covered both direct emissions from the company's activity, (referred to as Scope 1 according to the GHG Protocol), and indirect emissions derived from the acquisition of electrical energy (Scope 2). Aware of the importance of analysing and extending the mitigation effort to its supply chain, Ence also includes in the analysis the activities that are not directly

under its operational control (Scope 3), with the aim of fully defining the emission flows derived from the entire life cycle of its activities and products, from the generation and procurement of raw materials to the distribution of the final product.

Among the flows encompassed as emissions under Scope 3, the most important are the cultivation and use of raw materials such as wood, the transport of timber and biomass to Ence's plants, business trips and employee commuting, emissions derived from the treatment of water consumed in the plants and the waste generated, emissions produced in the transport of the pulp to the clients' facilities or emissions derived from losses in the transport and distribution of the electrical energy generated, as represented in the following diagram:



Results

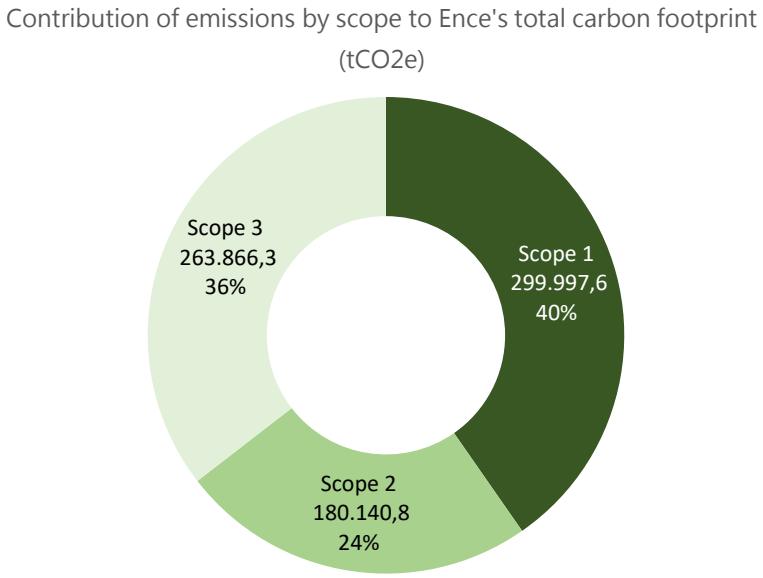
GRI 305-1, GRI 305-2, GRI 305-3, GRI 305-4, GRI 305-5

The organisation's carbon footprint in 2020 was 744,004.7 tCO_2e, according to the following breakdown by business segment and scope:

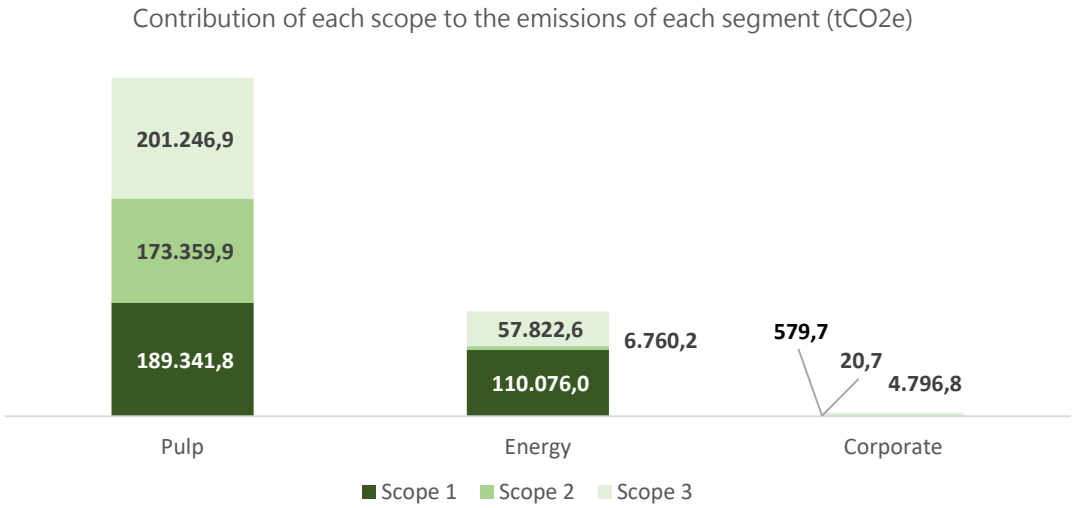
Segment	Scope 1	Scope 2	Scope 3	Total
Pulp	189,341.8	173,359.9	201,246.9	563,948.7
Energy	110,076.0	6,760.2	57,822.6	174,658.8
Corporate	579.7	20.7	4,796.8	5,397.2
Total (tCO_2e)	299,997.6	180,140.8	263,866.3	744,004.7

Note: The results of the 2020 footprint analysis are based on data available at the closing date of this report. The calculations have used the latest available emission factor values, in many cases for 2019, and should therefore be considered provisional and will need to be updated once the relevant agencies publish updates for 2020. Once the carbon footprint has been recalculated with the emission factors corresponding to 2020, Ence will proceed to its independent external verification.

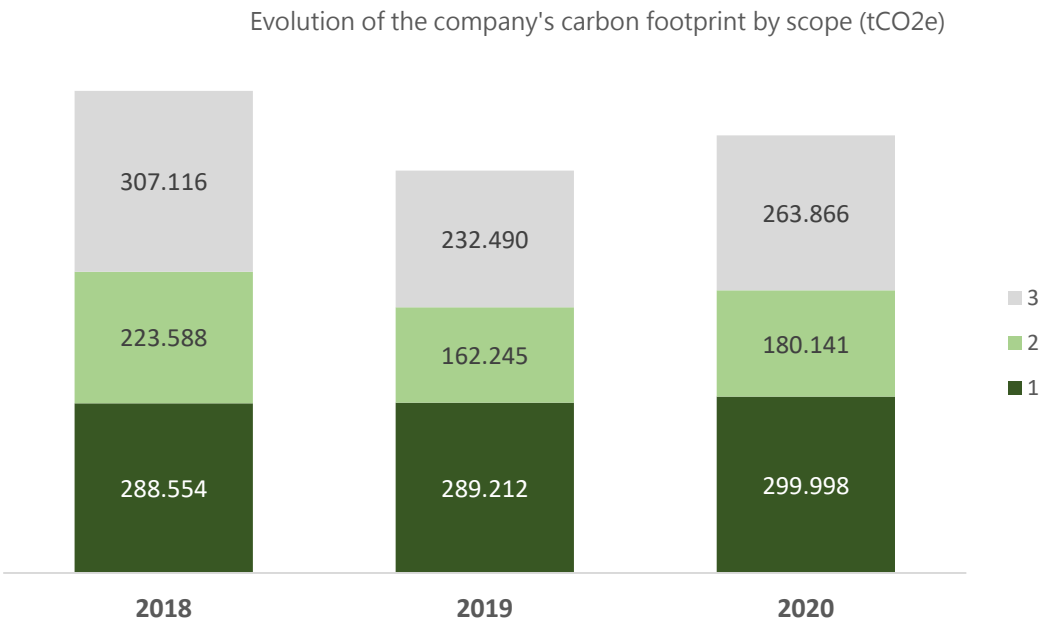
Direct emissions (Scope 1) account for 40% of Ence's total footprint, while indirect emissions from grid electricity consumption account for just under a quarter of the total (24%) and the remaining indirect emissions (Scope 3) account for just over a third (36%).



By segments, the pulp business contributes almost 76% of the group's total emissions, while the energy segment generates 23.5% of emissions. The corporate segment has a non-material contribution of less than 1% of the total.



In 2020, the organisation's total footprint has increased compared to the previous year for several reasons: firstly, the new biomass generation plants in Puertollano and Huelva, with their corresponding emissions and those of their supply chain, have been incorporated into the scope. On the other hand, in 2020, the production capacity of both biofactories (Navia and Pontevedra) has increased, which has also increased indirect emissions associated with electricity consumption and the supply chains of materials and pulp distribution. However, thanks to the efficiency improvements achieved, direct emissions have increased at a lower rate:



Scope 2 emissions are affected by variations in the electricity mix emission factor (outside Ence's control) and Scope 3 emissions derived from electricity transmission and distribution losses are affected by the loss coefficient provided by Red Eléctrica, over which Ence has no control either.

The carbon footprint of Ence's products (pulp and energy) is also detailed below:

Life cycle emissions of produced pulp (tCO2e/tAD)	Scope 1	Scope 2	Scope 3	Total
Pontevedra	0.202	0.156	0.159	**0.517**
Navia	0.150	0.162	0.214	**0.526**

Life cycle emissions of generated energy (tCO2e/MWh)	Scope 1	Scope 2	Scope 3	Total
Huelva	0.032	0.006	0.041	**0.080**
Enemansa	0.036	0.001	0.029	**0.067**
La Loma	0.032	0.001	0.032	**0.065**
Mérida	0.029	0.001	0.048	**0.079**
Lucena (biomass)	0.029	0.001	0.020	**0.050**
Lucena (natural gas)	0.211	0.000	0.006	**0.217**
Termollano	0.041	0.016	0.015	**0.072**
Biollano	0.023	0.001	0.035	**0.059**

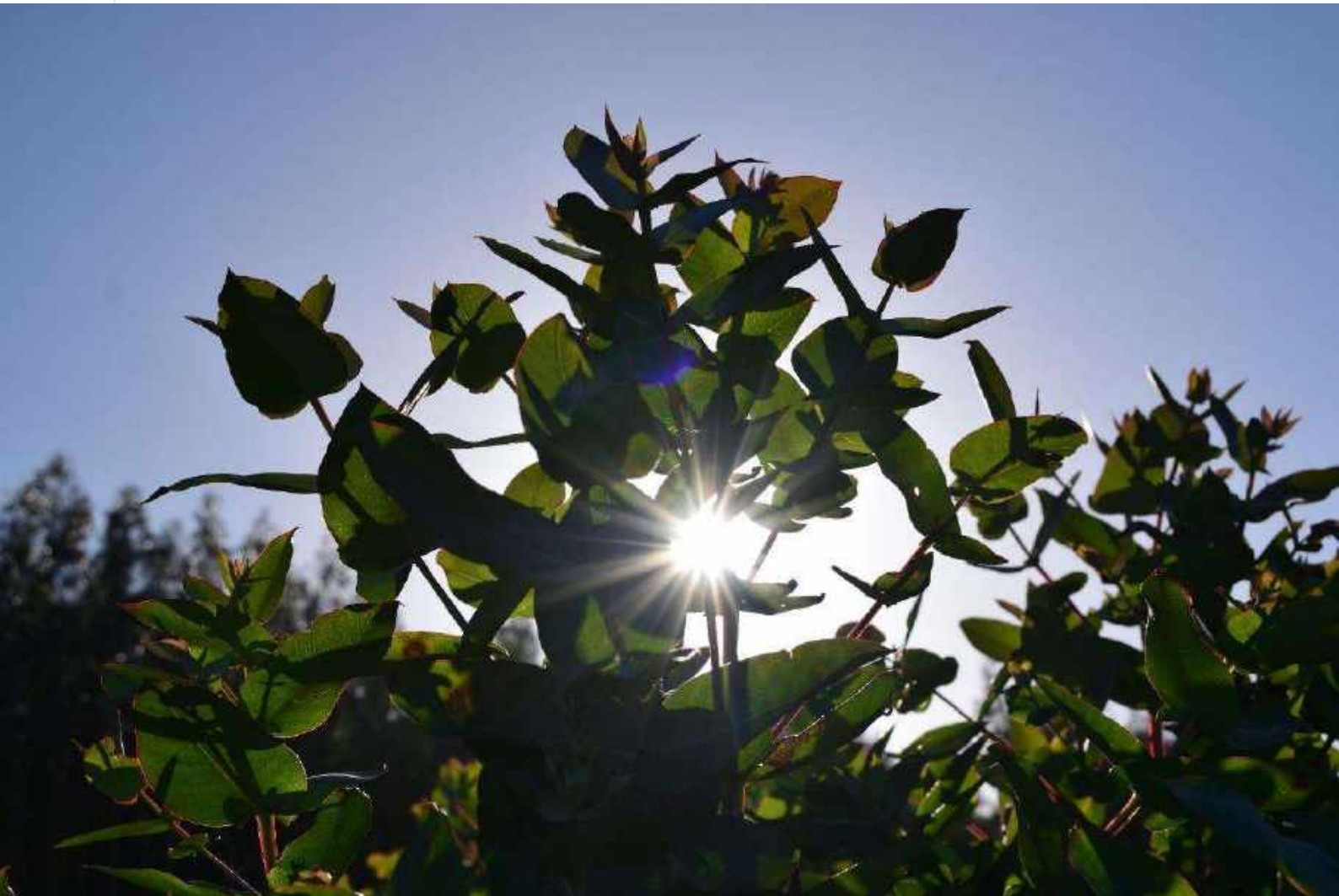
Transparency

In line with its commitment to transparency towards stakeholders, Ence publishes the results of its carbon footprint analysis once they have undergone independent external verification. The annual reports are available on the company's website.

Emissions trading

The plants in Navia, Pontevedra, Termollano, and Lucena take part in the EU Emissions Trading Scheme (EU-ETS). Therefore, emissions from the use of fuels are audited and verified every year when the corresponding notification report is made.

In terms of Emissions Trading and the application of the relevant regulatory requirements, the Navia Biofactory received in November 2020 the Authorisation for the emission of Greenhouse Gases for the period 2021-2030. Likewise, in December 2020, the verification of the Methodology Report for the adjustment of the free allocation of emission allowances for the period 2013-2020 was processed, taking into account the expansion of existing installation capacity derived from the different expansion projects implemented. The Pontevedra biofactory received its corresponding authorisation for the period 2021-2030 in December 2020.



Adaptation to climate change

Ence is aware that, despite society's efforts to mitigate climate change, its effects are already evident and will intensify in the coming years. The company is therefore working in different areas to strengthen its resilience and adapt to the consequences of climate change, especially in:

- ✓ Systematic analysis of climate change risks and opportunities, following the recommendations of the TCFD
- ✓ Reduction of the company's water footprint, in anticipation of increased water stress in the areas where the facilities are located
- ✓ Boosting forestry R&D&I to produce eucalyptus clones better adapted to new climatic conditions
- ✓ Strategy for diversification of timber and biomass sources to cope with possible changes in supply options

Managing climate change risks and opportunities

GRI 201-2

Ence, as a company whose business model depends directly on natural resources such as timber and biomass, is aware of the importance that climate risks may have for the company, especially considering that its supplies come from the Iberian Peninsula, one of the regions potentially most affected by climate change.

However, the transition to a low-carbon economy also represents great opportunities for Ence, as the demand for renewable energy and biomaterials that offer alternatives to fossil fuel products, such as pulp, increases.

For this reason, Ence identifies the climate risks that can affect both the company itself and its value chain and designs mitigation and adaptation strategies to ensure the resilience of the company. In this regard, Ence follows the recommendations of the *Task Force on Climate-related Financial Disclosures* (TCFD) of the Financial Stability Board (FSB) both for the management of these risks and opportunities and for the disclosure of the company's efforts in this area.

Governance

Ence's Board of Directors, through its Audit Committee, supervises the systems for identifying and managing the risks derived from climate change, integrated into the company's Risk Management System (RMS), as well as the plans and measures to mitigate them. These bodies also oversee the scenario analysis and timeframes used in the assessment, as well as the information that Ence reports to the market in this area.

At the executive level, the Sustainability Committee, chaired by the Chairman, is responsible for setting the guidelines and organising the work to carry out the analysis.

In 2020, specific working groups have also been set up in the pulp, energy and property areas to identify the specific risks and opportunities of each business unit and propose action plans.

Strategy

For the risk analysis, Ence has started to work in 2020 with two of the representative concentration pathway (RCP) scenarios defined by the Intergovernmental Panel on Climate Change (IPCC).

The intermediate scenario selected is RCP 4.5, which assumes emissions from around 2014 and an average global temperature increase of **around 2°C** by the end of the 21st century, and the *worst case scenario* is RCP 8.5, which assumes an increase in emissions throughout the 21st century and predicts an average temperature increase of **around 4°C** by the end of the century. Given that for Ence the impact of the physical risks derived from climate change is more relevant than that of regulatory risks, the scenarios in which the physical impacts are more pronounced have been selected for the analysis, instead of a scenario that contemplates a warming of less than 1.5ºC.

Ence analyses these two scenarios for three time horizons: the near future (up to 2040), the medium-term future (up to 2070) and the distant future (up to 2100).

In its sensitivity analysis, Ence works with two scenarios: a first scenario with a temperature increase of around 2°C and a second scenario with an increase of around 4°C.

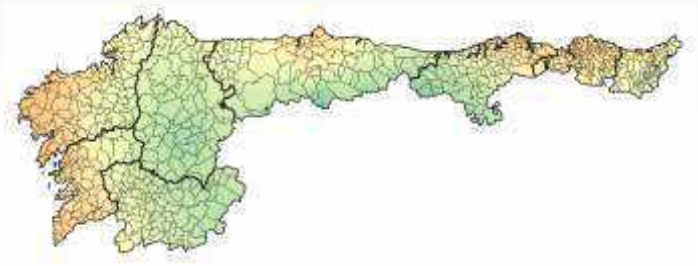
Climate scenario modelling

In order to determine the effects that the different climate scenarios selected will have on its woodlands properties and on the timber and biomass supply areas, Ence has developed **its own regional models** based on EURO CORDEX projections, a programme promoted by the *World Climate Research Program*. For the regional segmentation, areas with homogeneous climatic characteristics have been delimited (based, among others, on the Papadakis climate classification) and thus 4 analysis areas for eucalyptus cultivation and 17 biomass supply areas have been defined.

In these areas, 15 climate variables have been studied and the projections have been compared with historical data to select the five most statistically accurate models for each variable in each region for these scenarios, analysing several thousand projections in total.

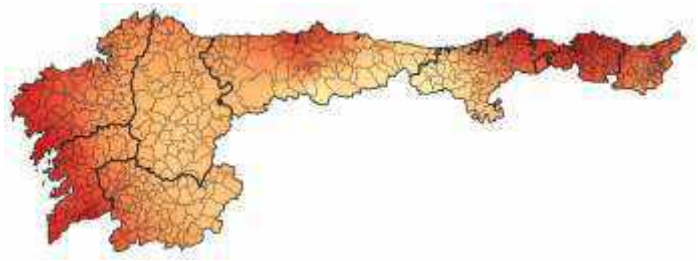
Thanks to these models, Ence has been able to obtain the predictions best suited to its areas of interest, thus having the necessary tool to analyse the impacts of climate change on the production and availability of timber and biomass in an objective and reliable manner. The data obtained will also serve as input for designing adaptation plans and aligning forest R&D and breeding programmes with expected future climatic conditions in each region.

Histórico (1970-2006)



Proyección 2070-2100 RCP 4.5

Proyección 2070-2100 RCP 8.5



Also in line with the TCFD recommendations, Ence classifies the risks arising from climate change into **physical risks and transition risks**.

Risks and opportunities related to the physical impacts of climate change

The main physical risks that Ence has identified are **changes in rainfall and temperature patterns in the timber and biomass supply areas**.

To assess these risks, the above-mentioned models are being developed and, as a mitigation strategy, the results are being incorporated into forest R&D breeding programmes. In this way, Ence is selecting the eucalyptus plants that are best adapted to withstand the new conditions predicted by climate models and thus guarantee the company's resilience.

It should be noted that, according to the scenarios the company is working with for three time horizons -the near future (up to 2040), the medium-term future (up to 2070) and the distant future (up to 2100)- while changes in these patterns may make some areas of timber supply no longer optimal for the cultivation of certain eucalyptus species, other areas, where cultivation was previously unfeasible, will become suitable. In this way, Ence does not foresee only negative impacts.

The same is true for biomass supply: while some crops may be displaced, it is expected that the change in conditions may promote the expansion of crops such as olive groves, one of the main sources of biomass for Ence. Thus, these changes are treated as risks but also as opportunities.

Another of the physical risks that Ence considers most relevant is the **reduction of water resources availability**, especially around its power plants located in the centre and south of the peninsula.

To address this risk, Ence is developing plans to reduce water consumption at existing plants and designing new plants with cooling systems that drastically reduce specific consumption (e.g. using air condensers instead of cooling towers). Although models predict a lower impact, reducing water consumption has also been set as a priority for the pulp mills, with significant reductions already achieved in 2020 at both mills (see chapter Safe and Eco-efficient Operations).

Risks and opportunities arising from the transition to a low-carbon economy

The main transition risks identified by Ence are the regulatory risks derived from potential regulatory changes in relation to GHG emissions (for example, higher cost of emission rights) and the technological risks derived from having to adapt its production processes and implement lower emission technologies.

In this regard, although Ence does not recognise these risks as critical, measures are already being defined to mitigate these risks, such as the plan and the emission reduction targets approved by the Board in 2020. However, Ence believes that the transition to a low-carbon economy will bring more opportunities than risks for the company, as it is likely to provoke (as it is already doing) a push by European and national legislators for renewable energies to reach the neutrality targets set for 2050. Ence believes that its pulp business line may also benefit from this transition, as demand for renewable and recyclable bioproducts that can replace materials derived from fossil fuels such as plastic is expected to increase.

Other initiatives

In addition to developing its climate models, Ence is working on scientific projects aimed at understanding the impacts that climate change may have on its forest stands. On the one hand, Ence is collaborating with the consulting firm VTT Technical Research Centre of Finland Ltd in a European Space Agency project to monitor forest carbon in its woodlands properties, using information captured on the ground and remote sensing.

Ence is also participating in a project to calculate the ecological niche in different climate scenarios for *E. globulus* and *E. nitens* with the company Tecnalia. The project is being developed within the framework of European projects with the aim of reproducing for Spain and for Eucalyptus other studies on the ecological niche change of conifers carried out in Nordic countries, using data from the Copernicus Climate Change Service-C3S.

Climate risk management

As explained above, Ence has a corporate Risk Management System (RMS), in which climate risks are included for assessment and monitoring and are included in the corporate risk map presented to the Management Committee, the Audit Committee and the Board of Directors. In addition, during 2020, Ence has launched a specific climate risks and opportunities project, creating working groups in each business unit to identify these risks and opportunities and propose mitigation measures. The work of these groups has been coordinated by GD of Sustainability, with the Internal Audit Department providing the methodological criteria for assessing risks in terms of impact and probability of occurrence, and several follow-up meetings have been held in the sustainability committee. The main risks identified and the projects designed to mitigate them have also been presented to the Board's sustainability committee. During 2021, work will be done to monitor these risks and opportunities and to financially assess their impacts.

Metrics and objectives

Ence continuously monitors metrics related to the risks derived from climate change and, over the course of 2020, objectives have been set for the most relevant ones:

Carbon footprint

Ence analyses the carbon footprint of the organisation and its products (pulp and energy), including scopes 1, 2 and 3 and following the ISO 14064 and 14067 standards. The emission inventories are verified by an independent auditor and are available to all stakeholders on the company's website (https://ence.es/sostenibilidad/informes-gei/). Based on these analyses, Ence has approved emission reduction targets: a 25% reduction in specific Scope 1 and 2 emissions from the biofactories by 2025 compared to the base year 2018, and targets for increasing self-consumption at the power plants. Ence also monitors the emissions avoided throughout its value chain and the carbon capture produced in its woodland property.

Other metrics

In addition to its carbon footprint, Ence monitors and sets objectives for improving other metrics related to climate risks and opportunities, such as:

- ✓ Specific water consumption in biofactories and power plants (more detail in chapter Safe and Eco-efficient Operations)
- ✓ Specific energy consumption (more detail in chapter Safe and Eco-efficient Operations)
- ✓ Sales of special products intended to replace plastic products (more details in chapter Sustainable Products).

The scorecard for monitoring KPIs and improvement objectives is presented to the Management Committee and the Board of Directors on a monthly basis.

Sustainable products

By using timber, a natural, renewable and local material, Ence develops sustainable bioproducts that play an important role in the transition to a circular, low-carbon economy.

In this area, Ence works to identify and enhance the sustainability attributes of its products as a lever for generating value, developing products adapted to the needs of its customers, with a smaller environmental footprint and offering solutions to replace materials from non-renewable sources such as plastic.

By working along these lines, Ence contributes to SDG 9, promoting the evolution of the industry to make it more sustainable and promoting the adoption of eco-efficient industrial processes, and to SDG 12, contributing to reducing the environmental footprint of its products and the generation of waste throughout their life cycle and providing sustainable alternatives for responsible consumption.

Positioning and strategic approach

Ence's pulp, produced from eucalyptus trees from the Iberian Peninsula, is recognised in the market for its high quality. In addition, its customer service, proximity to its main markets and the fact that it is a European producer committed to sustainability make Ence a benchmark supplier that minimises supply risks for its customers.

Ence's positioning is also reinforced by the current market trend towards the use of paper, which is driven by factors such as the need to replace plastic and the demand from industry and consumers for products based on renewable and recyclable materials.

Based on this positioning, Ence's commercial strategy aims to offer solutions adapted to the needs of customers based on innovation and close technical collaboration with them. To this end, the company develops differentiated products, including high quality products, tailored products (products modified to perfectly match customer needs) and special products (higher value-added products with specific and differentiating paper properties in the market).

In 2019, Ence launched the Ence Advanced brand, a framework that offers customers a comprehensive value proposition, addressing their specific product and service needs. Ence Advanced is the result of years of work in market research, R&D&I and industrial and product development.

Ence Advanced also serves as an umbrella for the products developed by the company, designed to meet the needs of specific paper segments in the following areas:

Long fibre substitution: products developed to offer an alternative based on short-fibre pulp (eucalyptus) that can substitute long fibre, which in addition to being more expensive requires higher specific timber consumption and is therefore less resource efficient.

In this category it is worth highlighting the development of **Powercell**, a high-strength pulp product that can replace long fibre while maintaining the required mechanical properties and saving energy in the production process. Nowadays it is mainly used in tissue paper.

Plastic substitution: products developed to offer an alternative, based on natural and biodegradable materials, to the use of plastic in applications such as bags, trays, flexible packaging, etc.

In this segment we should highlight **Naturcell**, the first unbleached pulp product marketed by Ence. In addition to its potential to replace plastic, Naturcell can replace long fibre in various applications. Being unbleached pulp, Naturcell's environmental footprint is considerably smaller than that of standard pulp, especially in terms of resource consumption and water consumption.

Ence has also developed **Closecell**, a low-porosity pulp product, which is essential for manufacturing closed barrier papers that are potential substitutes for plastic. Their use also leads to significant energy savings in the refining process. It is currently in the process of customer trials.

Along with the traditional **Porocel**l and **High White** and the new Naturcell, Powercell and Closecell products, Ence is completing its portfolio of special products with other references that are in various stages of development.

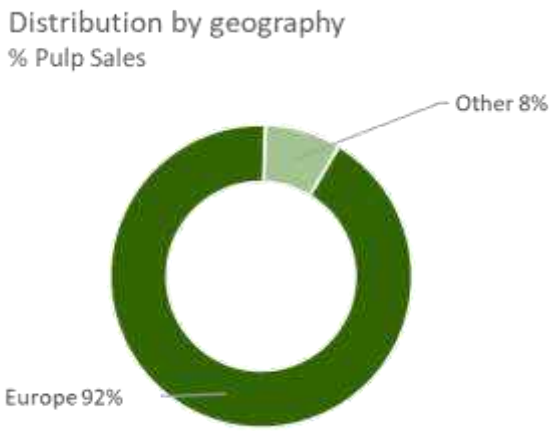
These include **Decocell** (a low wet-expansion pulp suitable for decor paper applications), **Softcell** which allows a softer tissue paper to be made without increasing the number of plies, or **Opacell** which gives the paper a higher opacity at the same paper weight.

Main figures

Most of the pulp produced by Ence at its Navia and Pontevedra biofactories is exported to Europe. The main target markets for this production are Germany, Spain, Portugal, France and other Western European countries, where some of the world's most demanding customers are to be found.

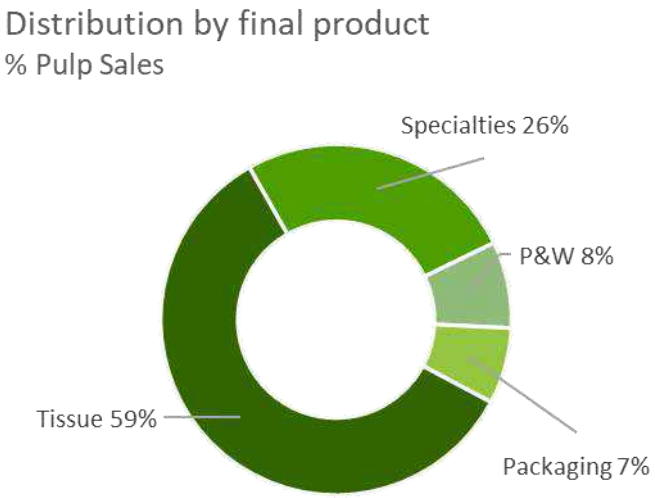
In 2020, total sales amounted to 1,015 ktAD. The destination of sales by geography (% based on tonnes of pulp sold by region) is shown below:

GRI 102-6



The fact that most sales are concentrated in markets geographically close to Ence's production sites in northern Spain gives the company a clear competitive advantage in terms of service. The proximity to the market and the "*just in time*" logistics also allow Ence to maintain a very diversified customer portfolio with a great capillarity.

As in previous years, in 2020 most of Ence's sales are concentrated in the tissue paper segment, but the pulp the company produces is also destined for other segments, such as specialties and, to a lesser extent, printing and writing (P&W) and packaging:



In terms of product types, speciality products already account for 9 % of the group's total sales:

Despite this growth, the 2020 sales targets for these products have not been met. This was mainly due to the movement restrictions arising from the health protocols for Covid-19, which prevented the Ence team from developing the commercial plan for these products by restricting visits to customers' production centres.

Transparency and environmental profile of products

One of the objectives set out in Ence's 2019-2023 sustainability master plan is to evaluate and enhance the sustainability attributes of the products marketed by Ence.

EPD®

THE INTERNATIONAL EPD® SYSTEM

To address this objective, in 2020 Ence began to analyse the environmental profile of its products, choosing the international EPD® (*Environmental Product Declaration*) system.

This system is a programme for environmental declarations based on the ISO 14025 standard, in which the environmental impacts of the product are identified and reported on the basis of a Life Cycle Assessment (LCA).

In this LCA, the environmental impacts of the product throughout its life cycle are analysed in 12 categories: resource depletion, fossil fuel use, global warming potential, ozone layer depletion, human toxicity, toxicity to terrestrial, marine and freshwater ecosystems, potential to contribute to water scarcity, photochemical oxidation, acidification and eutrophication.

In this way, Ence has prepared and published the Environmental Product Declarations (EPD) following the EPD® system for the standard cellulose pulp produced in the Pontevedra biofactory (Encell TCF) and for the Naturcell unbleached pulp, produced in the same biofactory.

EPDs are voluntary statements, verified and registered by independent bodies, which aim to provide transparent and comparable information on the environmental impact of the life cycle of Ence's products to its customers and the company's other stakeholders.

The EPDs of Ence products are publicly available in the EPD® System registry:

- Encell TCF: https://www.environdec.com/Detail/?Epd=20589
- Naturcell: https://www.environdec.com/Detail/?Epd=20588

In 2021, Ence will continue working to develop the EDP of the pulp produced at the Navia pulp mill (Encell ECF).

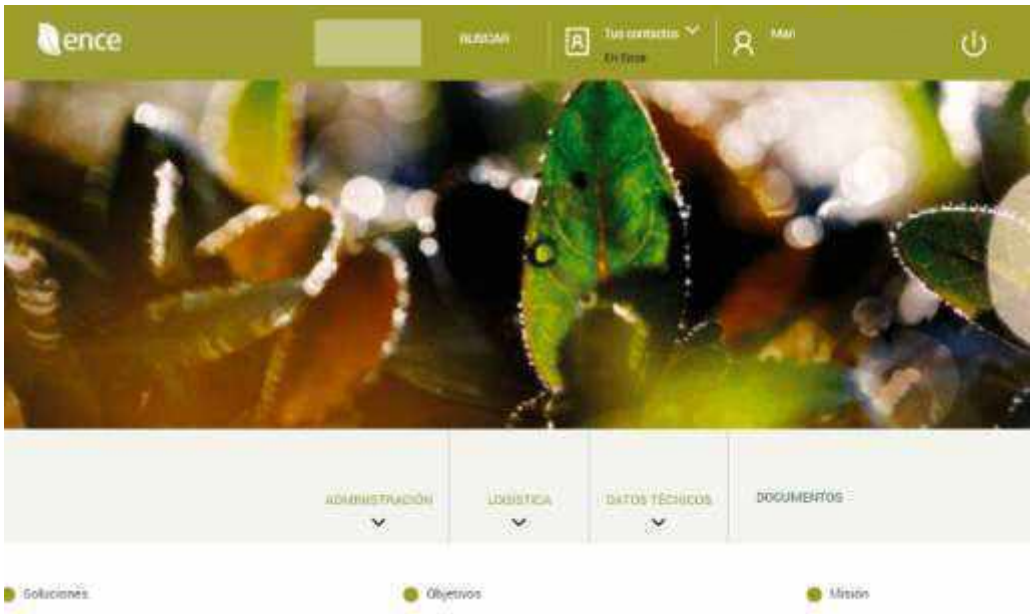
Customer Relationship

Customers are one of the most relevant stakeholders for Ence and for this reason the company manifests a firm commitment to them in its Code of Conduct and Sustainability Policy. With this commitment as a guide, Ence works to maximise customer satisfaction and build long-term relationships of trust with them, based on excellent service and a differential value proposition.

For Ence, the keys to its relationship with its customers are customer service and continuous communication**,** which enable it to know their opinions and expectations and to respond to their needs. Thus, Ence has various **channels for proactive dialogue with customers:**

Visits: Ence's sales and technical assistance team makes regular visits to customers' facilities to gain first-hand knowledge of their production process and learn about their experience with the products supplied by Ence and, reciprocally, they are invited to visit the company's production centres.

Customer portal: in addition to direct contact with account managers and the technical assistance team, in 2018 Ence set up a specific online portal for customers, through which they have access to information of interest to them, such as shipment documentation (invoices, delivery notes and certificates), production quality parameters and management system or product certificates.



Opinion questionnaires: Ence also has a system for formally obtaining customers' opinions on the most relevant aspects of their business relationship, such as service, delivery time, product quality, sales department service or technical service. An annual questionnaire has therefore been launched for the main customers, whose responses are analysed within the framework of the Quality System and are used to set improvement objectives for customer satisfaction individually and globally. Among the results of the questionnaire carried out in 2020, which deals with the company's performance in the previous year, it is worth highlighting the good rating that customers give to Sales team support (4.4/5) and to the forestry certification (4.3/5). Some opportunities for improvement have been identified, such as the labelling of the product on packaging (3.7/5).

Voice of Customer: in addition to the above dialogue channels, Ence has developed the VOC model, which aims to gain first-hand knowledge of customer perceptions and expectations and introduce them to the company's management team.

This interactive model is based on visits in which structured customer interviews are conducted, including questions on six aspects: Ence's image, products, commercial service, logistics service, technical assistance service and future perspective on aspects related to the market. Ence's Management Committee is involved in these interviews, as well as factory personnel, and based on the results obtained, improvement initiatives are defined that contribute to seeking synergies or developing differentiated products that meet the customer's needs.

In 2020, it has not been possible to carry out the planned VOCs, as a result of the movement restrictions imposed by the Covid-19 prevention protocols. They will resume as soon as the health situation allows it.

Dialogue focused on sustainability: in 2020, in compliance with one of the objectives established in the sustainability master plan for this year, Ence has launched a dialogue initiative with customers focused on sustainability aspects. Thus, the company has conducted 6 interviews with national and international customers from different segments to find out their

priorities and objectives in terms of sustainability and their component expectations about its supply chain and, in particular, about Ence.

The results of these interviews have been used to update the company's materiality analysis and to establish action and communication plans aimed at customers with a focus on Ence's sustainability performance. In 2021, Ence will continue this dialogue with another series of customers.

Complaints and claims management

To manage and respond to customer complaints and claims, Ence set up a system almost ten years ago to record and monitor all incidents that may occur.

This system is regulated by the internal procedure for customer non-conformities due to quality and, in addition to formal claims, complaints and all comments related to possible customer dissatisfaction with the service provided or the product delivered are also recorded.

In the event that the incident affects the fulfilment of guarantees or other aspects such as accidents caused by the product or service provided, extra costs, returns, etc., it is treated as a complaint.

Through this system, a total of 33 complaints and 3 claims were registered in 2020 on a total of more than 2,530 pulp sales transactions.

In order to manage received incidents, Ence draws up an **8D Report**, detailing the description of the problem, the containment actions implemented, a root cause analysis, the corrective and preventive actions defined so that the problem does not recur and the verification actions.

With the information gathered in this report, a response is given to the customer in the final communication on the resolution of the complaint. The findings of the study are also used to drive continuous improvement in the production process.

Connect with the community

In its relationship with the community, Ence not only seeks to be perceived as an exemplary neighbour and thus secure its social licence to operate in the long term. Ence's objective is to position itself as a proactive member and generator of shared value in the environments in which it is present, building relationships of trust with its closest stakeholders. For this reason, the company promotes a closer relationship with the communities in which it operates and allocates significant resources to promote their socio-economic development.

Ence's objective in this area is to establish community relations plans at all the sites where it operates. These plans contain both initiatives aimed at raising awareness of the company and initiatives aimed at improving the quality of life of the people in the surrounding area.

By working along these lines, Ence contributes to SDG 4, promoting the development of local talent and working on community outreach and training initiatives; to SDG 8, prioritising local hiring and contributing to the economic growth of its surroundings; to SDG 11, improving the environmental quality of its surroundings and promoting social initiatives; and to SDG 15, ensuring the conservation of local natural environments.

Creating value in the environment

GRI 203-2, GRI 413-1

Ence's commitment to local supply and its policies that prioritise the hiring of local employees and suppliers make the company's activity an important pole of value generation for the environments in which it operates. In 2020, Ence's commitment to the communities has focused on protecting the entire Ence family from the pandemic and continuing, despite the difficulties arising from the health situation, its collaboration projects with the municipalities in which it is present.

Caring for the Ence family during the pandemic

Aware of its responsibility as a major economic player in the communities where it operates and the large number of businesses and families that depend on the company, Ence has focused its efforts throughout this difficult 2020 on maintaining its activity throughout the crisis caused by the pandemic.

Thus, in addition to applying strict health protocols to ensure the safety of both its own and contracted employees, the company's priority from the first moments of the crisis has been to take care of the Ence family. Declared as core activities, thanks to this effort Ence was able to keep both its biofactories and all its independent mills operational and thus ensure not only the supply of pulp and energy, but also the maintenance of employment and activity along its supply and logistics chains.

In addition to maintaining its activity without having to resort to any kind of workforce adjustment, Ence has redoubled its commitments to the communities in its area, allocating resources to support the local councils in the towns where it operates and adapting its social initiatives to respond to the health crisis.

Actions to support society during the pandemic

In the area of its Lourizán biofactory, the company has adapted the deadlines for the Pontevedra Social Plan projects to the situation, extending the deadline for justification of the projects by three months and making the change of their items more flexible, to show its support for the beneficiaries affected by the situation of uncertainty caused by the pandemic. The company also launched "Encemplea", an initiative to promote employment for young people in the area around the Pontevedra biofactory. As part of this initiative, Ence has hired 16 recent graduates in training cycles, giving them the opportunity to continue their development for a year in a leading company in their sector.

Ence has also earmarked funds for different actions in support of Pontevedra during the health crisis, maintaining a constant dialogue to identify the needs of the community. Thus, Ence has collaborated by donating a reel of 2,000 metres of approved non-woven fabric to a group of women from Pontevedra to make masks in an absolutely altruistic way and 24 tonnes of sanitary material -rolls of toilet paper and hand-washing paper- to different hospitals in the region.

Ensuring the survival of small businesses that have been affected by the pandemic has been another of the challenges that Ence has faced during this crisis, acquiring more than 30,000 masks from Albino González, a small business from Pontevedra that adapted its production to survive during the state of alarm.

In the vicinity of its Navia biofactory, Ence donated two lorries of paper for sanitary and hygienic use produced with pulp from its biofactories to the Health Service of the Principality of Asturias (Sespa), in collaboration with LC Paper paper mill, to be made available to various public hospitals in Asturias.

In the surroundings of the Huelva energy complex. Ence made available to the City Council of San Juan del Puerto in advance the amount of 50,000 euros of the annual agreement, to allocate them to the fight against the pandemic. These resources were earmarked for the purchase of personal protective equipment and other sanitary material essential to guarantee the health of the inhabitants of the municipality, as well as equipment, machinery and hygiene products to improve and expand the municipal means for disinfecting and cleaning the streets. In the vicinity of the Ence plants in Puertollano, the company, in collaboration with LC Paper, provided the City Council with a truckload of sanitary material for the municipal sports, administrative and social buildings during their gradual reopening, thus contributing to the recovery of the health crisis in the town.

Socio-economic impact of biofactories

Ence's biofactory in Pontevedra is an important centre of employment and wealth generation in its environment. More than 5,100 families depend on it directly and indirectly, counting the 400 employees of its permanent staff, more than 2,900 jobs as contractors in the industrial, logistics and transport areas and around 2,100 jobs in the forestry sector.

From the point of view of transport, the 200 trucks that enter the factory every day give an idea of the importance that the activity of the biofactory has for the local business network. As regards the generation of value for suppliers and contractors, it should be noted that purchases made from companies in the province of Pontevedra in 2020 total 27 million euros.

On the social front, it is worth highlighting Ence's contribution to the community through the Pontevedra Social Plan, to which Ence allocates 3 million euros a year.

It is estimated that the activity of the Navia biofactory generates more than 6,900 direct, indirect and induced jobs, more than 400 of which are workers in the biofactory. Out of these, more than half come from Navia and the surrounding municipalities.

Ence's activity in Navia also generates significant benefits for the local business fabric, as it has specialised companies located in the area for numerous jobs, and gives priority to suppliers based in the region in its purchasing processes. In this sense, the biofactory makes annual purchases from suppliers in the West of Asturias that reach, on average, more than 3 million euros per year.

The positive impact of Ence's biofactory in Navia is also very important to the forestry sector, providing jobs to 2,900 people, and in industries related to Ence's activity, such as the use, transport and transformation of timber. Ence's biofactory in Navia is also an important centre for the professional development of the region's young people, as it provides internships for vocational training and university programmes through the Talent Programme.

Socio-economic impact of stand-alone power plants

According to the Report on the Macroeconomic Impact of Renewable Energies in Spain published by APPA in 2018, biomass is the energy that generates the greatest impact in terms of employment per megawatt installed, not only because of the large amount of labour involved in the construction of the facilities, but also because of the jobs it generates in the operation of the facilities and throughout the biomass supply chain.

Furthermore, Ence's commitment to employment in the areas where it operates means that a significant percentage of the direct and indirect workers at its power plants come from nearby towns, in a firm commitment to the development of local employment.

Huelva Energy Complex

The Ence Energy Complex in Huelva is an important source of employment and wealth generation in its environment. It is estimated that the activity of the company's three plants in the Andalusian province generates more than 4,240 direct, indirect and induced jobs, of which more than 600 are for workers at the plants themselves (Ence personnel and operation and maintenance contractors). More than 60% of Ence's employees come from the municipality of San Juan del Puerto - adjacent to the power plants-, Huelva or nearby towns.

During the annual technical shutdown of the Energy Complex, which took place during the month of July, up to 50 companies in the region collaborated in the maintenance of the facilities, reinforcing their environmental excellence, as well as their efficiency and reliability, with the participation of 567 workers in total. As regards the generation of value for suppliers and contractors, it should be noted that purchases made from companies in the province of Huelva in 2020 exceed 12.4 million euros.

Plants in Puertollano, Villarta de San Juan, Córdoba, Mérida and Jaén

The total amount of impact of Ence's biomass renewable energy plants in Puertollano (50 MW), Ciudad Real (16 MW), Cordoba (27 MW), Merida (20 MW) and Jaen (16 MW) exceeds 4,000 direct, indirect and induced jobs in terms of employment. On average, 85% of the direct and indirect workers at these plants are professionals from neighbouring localities, which in some cases, such as the Ence facility in Cordoba, reaches 100%. Ence is also committed to giving priority in purchasing processes to suppliers based in the region as part of its commitment to the development of the areas where it operates. In this regard, Ence's independent power plants have made purchases from suppliers in the vicinity of the towns where they are located that exceed 15 million euros during 2020. For the analysis of employment generation in the biofactories, Ence uses the data of its workforce and the estimates of the socioeconomic impact report carried out by KPMG in 2013, updated where appropriate according to the activity data for the year. For independent power plants, Ence uses data from its workforce and calculates the employment generated based on the employment generated/MW installed ratio from the Study on Macroeconomic Impact of Renewable Energies in Spain 2019 conducted by APPA.

Overall, Ence's activity generates around 20,000 jobs, mostly in rural areas affected by depopulation and deindustrialisation

Tax contribution

GRI 207-1, GRI 207-2, GRI 207-3, GRI 207-4

Tax approach and principles of action

In 2018, the Board of Directors approved Ence's Tax Policy, which sets out its commitment to the application of good tax practices, applicable to all Group companies. Ence's compliance with its tax obligations and its relations with the tax authorities is governed by the following principles:

1) Principles of accountability and comprehensiveness. Ence expressly undertakes to comply with tax regulations in all the territories in which it carries out its business activities, promoting responsible taxation and encouraging the prevention of and fight against fraud.
2) Principle of prudence. Ence undertakes to adopt tax decisions based on a reasonable interpretation of the applicable legislation and its activity, preventing and avoiding significant tax risks.
3) Principle of collaboration. Ence will foster a relationship with the tax authorities based on respect for current legislation, professionalism, collaboration and good faith.
4) Information for the Board of Directors. The Board of Directors shall be informed of the main tax implications of transactions submitted for its approval, where these are a relevant factor.
5) Principle of contribution. ENCE will contribute through responsible tax action to the support of public charges in those territories in which it operates through the payment of its taxes, which is therefore one of its contributions to Society.

The implementation of the above principles is carried out through the application of the following good tax practices:

- Tax risk prevention: by
  - ✓ encouraging practices aimed at preventing and reducing significant tax risks
  - ✓ Minimising conflicts arising from the interpretation of the applicable regulations through the use of instruments established for this purpose by the tax systems
  - ✓ Avoiding the use of opaque structures, or structures of an artificial nature unrelated to Ence's own activities, with the aim of obtaining tax advantages, as well as the acquisition for tax purposes of companies resident in tax havens
  - ✓ Promoting responsible tax practice
  - ✓ Providing customers and suppliers in a transparent, clear and responsible manner with relevant information for the fulfilment of their tax obligations
  - ✓ Seeking advice, where necessary or appropriate, from independent tax experts who have an excellent reputation.

- Relations with Tax Administrations Ence's relations with the competent tax authorities are based on the principles of transparency and mutual trust, which means that Ence assumes the following commitments:

  - ✓ Collaborate with the competent tax administrations in the search for solutions with respect to fraudulent tax practices of which ENCE is aware
  - ✓ Provide the information and documentation requested by the competent tax authorities in the shortest possible time and to the fullest extent
  - ✓ Make use of all the possibilities offered by the inspection procedure, and, notwithstanding the legitimate defence of the social interest, seek agreement with the competent tax administrations in the procedural phases in which this is feasible and reasonable
  - ✓ Disclose and adequately discuss with the corresponding body of the competent Tax Administration all relevant factual matters of which it has knowledge in order to investigate, where appropriate, the files at issue and to promote, as far as is reasonably possible and without detriment to good business management, agreements and compliances in the course of the inspection procedures.

- Information for the Board of Directors: ENCE Group's tax administrator, with the assistance of the tax advisors, reports at least half-yearly to the Board of Directors through the Audit Committee the tax policies applied by the Company during the year, the tax consequences and implications of transactions or matters that must be submitted to the Board of Directors for approval, provided that these constitute a relevant factor, and relevant regulatory developments and their possible impact on the operations of the ENCE Group.

Tax risks are analysed, reviewed and managed as part of the Risk Management model

Tax governance

Ence's Board of Directors is empowered to formulate the Company's tax strategy, determine its tax risk control and management policy and approve its Corporate Policies. Thus, in 2018, the Board of Directors approved the Corporate Tax Policy, which forms part of the Corporate Governance and Compliance Policies, which sets out ENCE's tax strategy and the principles and good practices that guide it.

Ence adopts the necessary control mechanisms to ensure, as part of proper business management, compliance with tax regulations and the best practices indicated above by all Ence Group companies. Adequate and sufficiently qualified human and material resources are devoted to this end. In this regard, Ence has a team of external advisors as well as specialised internal personnel who contribute to the definition and implementation of the control mechanisms.

In compliance with its control and monitoring duties, the Audit Committee supervises the effectiveness of the Company's internal control and Ence's internal control and tax risk management systems. In this regard, tax management is subject to Ence's internal risk management system and is therefore closely monitored by the Compliance Committee and the Internal Audit Department.

The Audit Committee, in accordance with the provisions of the Regulations of the Board of Directors, reports to the Board on the tax policies and criteria applied by the Company during

the year and, in particular, on the degree of compliance with the Corporate Tax Policy. Likewise, in the case of transactions or matters that must be submitted to the Board for approval, it reports on their tax consequences when they are a relevant factor.

The General Financial Management, through the Corporate Tax Team, is responsible for ensuring the correct application of the company's tax policy, as well as for the identification and management of possible associated risks.

Periodically, and at least twice a year, the Corporate Tax Team reports to Ence's Audit Committee on the group's performance in tax matters.

Relationship with stakeholders

Ence maintains a cooperative relationship with the various tax authorities with which it has dealings as a result of its activity, based on the principles of transparency and good faith.

ENCE promotes transparent, clear and responsible communication of its main tax figures by informing its different stakeholders of the tax contribution in the different jurisdictions in which it operates.

Below is a breakdown of the information related to corporate income tax and the result obtained in the various tax jurisdictions in which it is present:

	Spain	Portugal	Uruguay (1)	Total
OPERATIONAL DATA				
Resident entities	36	1	4	41
Number of Employees (31/12/2020)	1148	2	0	1150
Revenue sales to third parties (€)	706,819,667	888,307	0	707,707,974
Income of intra-group transactions between and with other tax jurisdictions (€)	17,594	479,821	0	497,415
Tangible assets other than cash and cash equivalents (€)	1,416,323,448	325,658	411,552	1,417,060,657
CORPORATE INCOME TAX SETTLEMENT				
Accounting result before tax (€)	-37,300,453	-383,090	-46,536	-37,730,079
Net amount (Tax on profit paid) (€)	8,358,552	0	0	8,358,552

Profit tax (expense / (income))				
Current tax	-7,731,572	0	0	-7,731,572
Deferred tax	-4,193,882			-4,193,882
Effective rate *(2)*	23.16%	21%	25%	
Nominal rate	25%	21%	25%	

(1: The permanent establishment in Argentina is included)

(2: The difference between the effective rate and the nominal rate is due to deductions [R&D and environmental])

Most of ENCE's activities are carried out in Spain. A breakdown of ENCE's direct and indirect tax contribution in 2020 by Autonomous Community is provided below:

Thousands of €	Spain						Portu-gal	Total
	Galicia	Asturias	Andalusia	Extrema-dura	C. La Mancha	Madrid		
IBI	120	29	407	10	272	-	0	839
IAE	314	241	655	15	142	6	-	1372
Fees	1332	86	91	1	2	-	-	1512
PTT and Stamp duty	-	-	-	-	-	-	-	-
Environmental levy	1629	333	489	24	234	-	-	2709
Corporate Income Tax	5013	-	381	111	2854	-	-	8359
Tax on electricity generation	1482	3825	8575	1453	4884	-	-	20,220
IH purchase of fuel	321	184	-	-	-	-	-	504
Special taxes on energy purchasing	271	279	65	9	9	-	-	634
Social security contribution	5411	6240	2254	337	84	1447	-	15,773
Withholdings	5583	5742	4276	298	143	3191	16	19,249
VAT	418	2420	9488	1384	3448	-	111	17,269
Social security - worker	1139	1315	442	145	17	285	-	3342
Total	**23,035**	**20,695**	**27,121**	**3788**	**12,088**	**4928**	**127**	**91,783**

Other relevant information

Ence is not present in any territory qualified as a tax haven—according to the criteria of the Spanish Tax Agency (list RD 1080/91, updated in 2013, and RD 116/2003), the EU black/grey list of tax havens (February 2020), and the Financial Secrecy Index (FSI) (2015)—nor in EU countries known to engage in harmful practices (2018).

Ence does not operate in territories considered by the CSR Observatory as low-taxation territories. Ence has shareholdings in Uruguay linked to the Punta Pereira project, which was

sold in 2009. These companies are totally inactive, have no relevant assets or employees, and are currently in the process of being dissolved.

2020 grants and subsidised loans

GRI 201-4

Grants

Project title	Company	Site	Amount of aid	Agency
Replacement of evaporation towers with a new energy-efficient hybrid tower system	Ence Energía y Celulosa S.A.	Pontevedra	€197,354.00	IDAE
Bark dryer at the Navia plant	Norte Forestal, S.A.U.	Navia	€355,600.00	Principality of Asturias

Ministry of Industry subsidised loans

Project title	Company	Site	Amount of aid	Agency
Technological upgrade of the Pontevedra biofactory	Ence Energía y Celulosa S.A.	Pontevedra	3,150,000.00	Ministry of Industry
Expansion of production capacity and upgrade of the Navia biofactory	Celulosas de Asturias, S.A.:	Navia	3,291,539.00	Ministry of Industry

ICO guaranteed loans

During 2020, Ence took out loans for an aggregate amount of €47.5 million, which are backed by the Official Credit Institute (ICO) and are intended to boost the Group's liquidity in the face of the risks arising from COVID-19.

Community relations strategy

In addition to the creation of value through its own activity, one of the cornerstones of Ence's Sustainability Master Plan is its commitment to the Communities, synthesised in the proactive contribution to the economic and social development of the areas in which the company operates. Ence's community relations strategy is based on two principles:

- Closeness and transparency
- Commitment and contribution to the community

A close and open neighbour: stakeholder dialogue actions

In this area, Ence works every day to establish an open, transparent, honest and close dialogue with the communities and groups pertaining to the places where it operates. The company has established close contacts with regional and local authorities, social and environmental organisations and neighbourhood groups in order to convey its commitment to the environment, people and the social and economic development of communities, and to learn first-hand about the expectations and suggestions for improvement that these groups may have for Ence.

One example is the **regular meetings** that company representatives hold with neighbourhood groups in Estriceres (Pontevedra) and Armental (Navia), in order to learn about their concerns and establish a constructive relationship for both the company and the neighbours.

Keeping this objective of transparency in mind, and until the start of the health crisis in February, Ence organised more than 400 **tours to its operation centres** in Pontevedra, Navia and Huelva, so that schoolchildren, students and other stakeholders could personally learn about the activity at the plants. Once these tours became impossible to carry out due to safety reasons related to the pandemic, Ence started holding virtual sessions in which company professionals can tell schoolchildren about Ence's work in relation to environmental care and describe the pulp production activity.

In 2020, as part of its stakeholder dialogue plan, Ence carried out a project to reach out to stakeholders in the agroforestry sector who are part of the supply chain of independent power plants, such as agricultural and forestry owners, suppliers and logistics companies. To find out their opinions about the sector, the company and, in particular, Ence's performance in terms of sustainability and contribution to the environment, Ence organised a series of **focus groups** with the addition of **individual interviews** with representatives of the administration, academia and the third sector. The result of this analysis will be used to plan actions at the operational and communication level throughout 2021.

In addition to these proactive dialogue initiatives by Ence, the company also maintains other **communication channels permanently open** for its stakeholders. Ence answers calls from the plants' neighbours and communicates directly with neighbours in the vicinity of the facilities to inform them of any operational aspects that may have an impact on them. In fact, the number of complaints received by neighbours is one of the KPIs that the company closely monitors and for which improvement objectives are set. In 2020, a total of 37 complaints were received at the Navia, Pontevedra and Huelva plants, above the objective set for that year (a 10% reduction compared to 2017-2019). Most of these were related to specific episodes of odour or noise from the biofactories, which were resolved as soon as possible.

Ence also maintains constant dialogue with the **media** as an essential means of conveying its messages to society. In this regard, the company has provided the media with access to relevant information about Ence in environmental, economic and future projection matters, as well as the possibility of conducting interviews with Ence representatives.

A committed neighbour giving back to the community

Ence's commitment to the communities in which it operates goes beyond generating employment and economic activity. The company wants to contribute proactively to the social, sporting and cultural life around its plants, in order to promote comprehensive development and enhance the quality of life of its neighbours. To articulate this commitment, the company maintains several collaboration agreements with local councils, as in the case of Navia (Asturias) and San Juan del Puerto (Huelva) and, in 2020, it launched the third edition of the Pontevedra Social Plan.

Ence, alongside social organisations such as Cooperación Internacional, also promotes **volunteering and soc|ial action** initiatives in its environment, involving Ence employees, such as cleaning natural spaces or collecting funds for charitable purposes.

In 2020, Ence continued to collaborate with Fundación Exit on projects aimed at preventing school dropouts, adapting the sessions to the online format.

Ence Pontevedra Social Plan

Ence Pontevedra Social Plan is the company's main community contribution initiative and one of the most important social initiatives carried out by a private company in Spain. The Plan, linked to Ence's commitment to the society of Pontevedra, was created in 2017 and has an annual budget of €3 million. Ence developed its third edition in 2020.

The Social Plan allocates its funds to finance projects in six areas: sports, education and culture, entrepreneurship, neighbourhood assistance, environmental care and recovery, and the fight against social exclusion. Since its launch, Ence has allocated €9 million to finance more than 800 projects.

The Third Edition of the Social Plan benefited 290 projects, broken down as follows:

- ✓ 118 Sports Support projects
- ✓ 36 Support projects and assistance to education and culture
- ✓ 62 Projects for recovery and environmental care
- ✓ 36 Projects for the fight against social exclusion
- ✓ 23 Projects for boosting entrepreneurship and innovation
- ✓ 15 Neighbourhood assistance projects

Among the projects benefiting from the Social Plan, the following can be mentioned:

- "Limpa a túa Ría": promoted by the Mesa Pola Ría Association, this project aims to educate all the residents of the municipalities around the Pontevedra Estuary in regard to environmental aspects, raising awareness of the importance of caring for the environment and helping to clean it up. The project consisted of cleaning the marinas of Portonovo, Aguete, Combarro and Beluso after the summer season.

- "Ence Idiomas 2018/19 Intercultural Scholarships Meeting": Ence has supported this project promoted by Instituto Interculturas for the creation of three digital and interactive teaching courses in English on sustainable environmental education for children in the 1st to 6th grade of primary school in Pontevedra, Marín and Poio.

- Club La Peña de Marín: this sports club from Marín presented, within the scope of the sports area, a project aimed at acquiring supplies, equipment and new technologies. We also helped them with setting up talks.

- Project for the fight against social exclusion in collaboration with Cooperación Internacional: the purpose of this project is to promote the comprehensive socio-educational development of minors through educational reinforcement activities and the development of skills through various workshops and socio-educational activities.

- Protection of biodiversity in eucalyptus plantations: in collaboration with Spartana and framed within the area of environmental recovery and care, this project is the first of its kind in Galicia, with the purpose of preventing the accidental felling of trees that are home to birds of prey nests. Within the framework of the project, a protocol has been designed to train timber buyers to identify the nests and to mark the area when one is located in order to avoid cutting the tree down, thus protecting the birds.

Manuel Rey, manager of Spartana, says that the project *"would be unfeasible without Ence. As one of my passions are birds of prey, nature, falconry, etc., to start with, the objective was to inform Ence about this problem with the nests, which sometimes occurs when trees are cut down. And it was them who stepped forward and invited us to present the project and take it forward with their support. As part of Ence's environmental commitment, they considered it interesting and granted us funding through the Social Plan."*

In 2020, due to the health situation, the Monitoring Committee approved a Framework of **exceptional measures** for the development of projects benefiting from the Third Meeting of the Social Plan, in order to make the conditions for the implementation and justification of the projects affected by the pandemic more flexible and favour the achievement of their objectives. This exceptional framework has proven advantageous for around 80 beneficiaries who will be able to develop their projects until 1 March 2021.

Ence is also committed to transparency and communication of the Social Plan, so that any potentially interested group is aware of the rules of participation, the amounts allocated to each line of action and the type of projects that have benefited from previous editions. For this reason, the company has set up a specific website where all this information can be consulted (www.plansocialence.es).

In 2020, a communication campaign has also been launched to publicise the Social Plan and Ence's contribution to society in Pontevedra, consisting of publishing informative reports and advertising in written and digital press, radio, and social networks.

Navia and Coaña Agreements

To consolidate its social contribution to the environment of the Navia biofactory, Ence establishes agreements with the town councils of nearby municipalities, such as Navia and Coaña. Thus, in 2020, Ence renewed the collaboration agreement with the Navia City Council for three more years. The main objectives of the agreement include promoting the generation of employment and environmental improvement, as well as cultural development and well-being for the citizens of the area surrounding the Navia biofactory.

Through this commitment, Ence wants to reinforce its efforts towards the promotion and social development of the area, contributing to the cultural and sporting activity of the municipality and supporting the creation of local jobs. The signing of the Agreement entails an annual contribution of €100,000 from Ence to promote social, cultural and sporting events and initiatives. Since July 2017 to date, 15 sports clubs and 12 cultural and social associations in the municipality of Navia have benefitted from this contribution. Over the last three years, Ence has contributed to more than 30 sporting events in Navia, as well as 35 cultural and social events.

As part of the aforementioned Agreement, in 2020 certain actions were carried out such as a campaign to promote and support shops, hotels and accommodation in the municipality of Navia, as a sign of the company's commitment to local businesses during the health crisis.

Another thing worth mentioning is the renovation of the sports facilities of several football clubs to improve their accessibility and the safety of those who play sports in the area.

Ence is also firmly committed to the Coaña Town Council, which is also close to the Asturian biofactory facilities. By virtue of this commitment, the company has contributed a sum of €23,000 in 2020 for the comprehensive upgrade of the football field located in Jarrio (Coaña), which is used by many athletes.

San Juan del Puerto Agreement

Similarly, Ence collaborates with the town council of San Juan del Puerto, the closest municipality to Ence's energy complex in Huelva.

The framework collaboration agreement between Ence and the town council encourages the promotion and creation of jobs, the improvement of people's employability, as well as the social and environmental improvement of the town.

In 2020, social interest and the fight against Covid-19 were pivotal in the projects benefiting from Ence's annual aid in San Juan del Puerto. Thus, the €100,000 per year with which Ence endows this collaboration agreement have been awarded at two different times. First, in April, the company made an advance payment of €50,000 to the council to strengthen its fight against the pandemic at the peak of the health crisis. Later, in September, the monitoring committee administering the agreement awarded the remaining grants to 18 local groups to carry out initiatives of high social interest.

Among other objectives, the 2020 grants were used for the digital transformation and adaptation of educational centre facilities, for the modernisation of social centres, for the digital literacy of the elderly and to support local sports.

Caminos circulares (Circular Paths)

Ence's relations with the surrounding communities in the Huelva area have also been marked by the Caminos Circulares project, a unique initiative to promote the circular economy through sustainable entrepreneurship, business synergies and social awareness.

Caminos Circulares was launched in Huelva in November 2019 as a pilot experience with the purpose of expanding to the rest of the territories in which the company operates and with the same objective: to promote contact between companies, entrepreneurs and students in order to boost the evolution of the linear economy towards the circular and collaborative economy.

Since then, and after Ence ensured its continuity by adapting it to the circumstances caused by the pandemic, several initiatives have been carried out. On the one hand, two participatory events called Meeting Spaces have been organised at the county level, with the valuable participation of the town councils as the backbone of the territory. Three campaigns have also been promoted, two to raise awareness on social networks and one to recognise companies committed to sustainability in mainstream media. The project has also visited several

educational centres in the province of Huelva to talk about what the circular economy is and what each person can do to promote the sustainability of the planet.

On 25 November, the Secretary General for Industry of the Andalusian Regional Government, Cristóbal Sánchez, and the CEO of Ence, Ignacio Colmenares, wrapped up the project at an online meeting attended by around one hundred people and in which numerous companies and institutions from the province of Huelva took part.

During the event, broadcast live on the company's social networks, the circular economy and the challenges of a sustainable industry and its role in Green Recovery was discussed, and a social innovation workshop was held in which all participants proposed interesting business ideas focused on the Sustainable Development Goals (SDGs) of the United Nations.

In total, 11 companies participated in the initiative, and up to 90 people took part in this edition's closing workshops, which involved the School of Labour Studies of the University of Huelva and the Town Councils of Huelva, Valverde del Camino and Lepe.

Relations with institutions

GRI 102-12

In addition to actively contributing to the communities in which it operates, Ence also works to build close and collaborative relationships with institutions at the local, regional and national levels. In this sense, Ence encourages closer ties and collaboration with the environment to maintain relationships that create shared value and promote the company's positioning and strategy.

Thus, Ence maintains a direct relationship with the central government and in particular with the following bodies: Vice-Presidency for Ecological Transition and Demographic Challenges, Ministry of Industry, Trade and Tourism, Ministry of Economic Affairs and Digital Transformation, Ministry of Labour and Social Economy. Ence also has an active relationship with the regional and local administrations of the six communities in which it operates (Autonomous Communities, Provincial Councils and Town Councils).

With the purpose of promoting and coordinating the company's institutional relations, in 2019 Ence launched the Sofía institutional reporting platform, which allows it to centralise, monitor and improve the management of these relations. In 2020, a total of 90 meetings with institutional stakeholders have been reported on the platform.

Likewise, Ence has launched an internal procedure to guarantee the alignment of the company's messages and objectives with its relations with stakeholders.

Institutional relations in the forestry sector

The company also proposes an open and constructive dialogue with relevant actors in the forestry world, such as environmental organisations, academic experts, sector associations and forest owner communities with whom it actively collaborates in promoting and improving active and sustainable forest management.

In the field of the Galician forestry sector, Ence works with owners' associations, associations of forestry and forestry service companies, auctioneers and sawmills associations, and forestry industry associations to advance in the consolidation of the wood value chain in Galicia, improving the value generation capacity of each of its links. Ence is a member of the Galician Wood and Design Cluster, the Forest-Industry Association and the Provincial Association of Businessmen of the 1st Transformation of Wood in Lugo, among others, through which it participates in the Galician Forestry Council. From these associations, Ence has also contributed to the constitution of the ARUME Foundation, for the improvement of the pine situation in Galicia.

Also in Galicia, Ence participated in the definition of the Agenda for the Promotion of the Forestry Industry promoted by the XERA (Galician Agency for the Forestry Industry), focused on supporting the Galician forestry industry through competitiveness and innovation, and it is also part of its Monitoring Committee alongside other relevant companies and associations.

Ence also participates very actively in the forestry sector debate with numerous organisations related to the timber value chain, such as NGOs, Professional Associations, Universities, associations, foundations, political groups, etc. regarding the growing value that forests contribute and should contribute to society, with the aim of establishing a common long-term vision to overcome the structural problems of smallholdings and the abandonment of rural areas, and jointly develop the necessary efforts to enhance the value of the forest, making it competitive and socially, economically and environmentally sustainable. The conclusions of this debate are the basis for the contributions of the whole timber value chain on the Galician Forestry Plan, which is intended to be approved with absolute consensus during 2021.

In Asturias, Ence works to strengthen the forestry sector and increase the value it creates, maintaining continuous and systematic contact with the various forestry associations of owners, service companies, and auctioneers and sawmills together with the industry, especially within the FADE (Asturian Federation of Entrepreneurs) Forestry Board (that became part of the Asturias Forestry Council in 2020), of which it is a member.

Ence also maintains a fluid relationship with the Principality's Forestry Administration and is committed to the technological development of the sector through its participation in the Board of Trustees of CETEMAS (Asturias Forestry and Timber Technology Centre), one of the national benchmark centres, of which it currently holds the vice-presidency.

Since 2019, Ence participates through CEASA in the second phase of the operational group for the improvement of sustainability and productivity of *Eucalyptus globulus* in Asturias, with a very relevant part of the timber sector in Asturias, developing tools for forest owners that allow them to improve the cultivation of eucalyptus. Some of the participants in the project are PROFOAS (Association of Forest Owners of Asturias), ASMADERA (Association of Forest, Timber and Furniture Businesses of Asturias), CETEMAS (Asturian Business Association of Forestry and Environment) and the companies Coviastur and FORESMA.

Institutional relations in the energy and paper sectors

Ence belongs to the Spanish Association of Pulp, Paper and Cardboard Manufacturers (ASPAPEL). As a member of ASPAPEL, Ence participates in various committees of the European Association (CEPI), including the Forestry committee and the European Union's taxonomy for sustainable activities working group. .

Ence, in the field of renewable energy generation, is a member of various associations such as ACOGEN (Spanish Association of Cogeneration) or APPA (Association of Renewable Energy Companies).

Participation in events

Despite the restrictions arising from the health crisis, in 2020 Ence continued to be present, represented by its management team, at various relevant events and forums. These included the Business Summit "Companies leading the future" organised by the CEOE in June, the 7th Industrial Forum organised by El Economista, the 4th National Renewable Energy Congress organised by APPA Renovables, and the 5th Energy Forum also organised by El Economista. This year, Ence continued to participate in sustainability-related events such as the 1st Congress of Executives organised by APD.

Inauguration of the Biollano Renewable Energy Plant

Ence inaugurated its new 50 MW biomass power plant in Puertollano, Ciudad Real, on 9 January 2020. This investment is an example of just transition, as it takes advantage of the site of the former Elcogas thermal power plant to build a clean energy facility, maintaining quality employment in the area. Since acquiring the site in 2017, Ence has invested €100 million in the construction of this new plant.

The opening ceremony, held before the outbreak of the health crisis, had more than 100 attendees, including the President of Castilla-La Mancha, Mr Emiliano Garcia-Page, the President of the Provincial Council, Jose Manuel Caballero, the Deputy Government Representative in Ciudad Real, Maria Ángeles Herreros, board member of the Economy and Business Board of Castilla-La Mancha, Ms Patricia Franco, board member of the Sustainable Development Board, Mr Jose Luis Escudero, among others.

6. Appendixes

I – About this report

Scope

GRI 102-46

The information included in this 2020 Sustainability Report pertains to all the activities carried out by Grupo Ence Energía y Celulosa S.A. from 1 January 2020 to 31 December 2020. The scope of this report for the purposes of the Global Reporting Initiative is the same as with the Consolidated Financial Statements of Ence Energía y Celulosa, S.A. and its subsidiary companies. The report includes information on Ence Energía Termollano S.A., in which Ence held a 90% stake until December 2020. Any exceptions to this scope are detailed in the corresponding sections of this report and in the GRI indicators table (Appendix 2 of this report).

This Report constitutes the company's consolidated Non-Financial Information Statement and forms part of the consolidated Management Report of Ence Energía y Celulosa, S.A. and Subsidiary Companies. The content of the report has been defined in response to Law 11/2018 of 29 December, which amends the Commercial Code, the revised text of the Law on Capital Companies approved by Royal Legislative Decree 1/2010 of 2 July, and Law 22/2015 of 20 July, on Accounts Auditing in the area of non-financial information and diversity.

Appendix III of this report contains a table specifying the reference standard used and which section of the report answers each specific requirement set out in said law or otherwise explains a possible omission.

Reference standards

GRI 102, GRI 102-54

The 2020 Sustainability Report has been created in accordance with Global Reporting Initiative (GRI) standards, in the GRI Standards version, based on the core compliance option. Appendix II of this report contains a list of the GRI indicators and the section or sections of the report in which they are answered or otherwise explains a possible omission.

The balanced, reasonable presentation of Ence's performance throughout 2020 required the application of the following principles:

- The principles for defining the content of the report, in terms of stakeholder inclusiveness, sustainability context, materiality, and completeness. These principles ensure that Ence has taken into account the company's activities and impacts as well as the expectations and substantial interests of stakeholders in defining the contents of the report.
- The principles for defining the quality of the report, in terms of accuracy, balance, clarity, comparability, reliability, and timeliness.
  Regarding compliance with the principle of materiality, the process followed by Ence to identify and prioritise the material aspects for its stakeholders and for the company itself as well as the updates pertaining to financial year 2020 are detailed in the "Materiality Analysis" section (p. 28) of this report. With this materiality analysis, Ence ensures that both the priorities set out in its Sustainability Master Plan and the contents

of this report are aligned with the expectations and information requirements of its stakeholders.

The 2020 Sustainability Report also includes an Appendix (IV) with a list of the Sustainability Accounting Standard Board (SASB) indicators applicable to Ence based on the company's activities, according to SASB's Sustainable Industry Classification System® (SICS®). Indicators are included for the following activities of the RR Sector (Renewable Resources and Alternative Energy):

SASB standard: RR - Renewable resources and alternative energy sector	
Subsector	**Industry**
RR.1 Alternative Energy	RR-BI Biofuels
RR.2 - Forestry & Paper	RR-FM Forestry Management
	RR-PP Pulp & Paper Products

Contact information

GRI 102-53:

For any query, clarification, or suggestion regarding the contents published in this report, please contact the following addresses:

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II - GRI Content Index

GRI 102-55:

(*): the indicators that do not belong to the GRI core version indicated have not been included in the scope of the external assurance

GRI Indicator	Report section/direct response	Pages
GRI 101: FOUNDATION		
101 Principles	Appendix I: About this report	255
GRI 102: ORGANISATIONAL PROFILE		
102-1 Name of the organisation	Ence Energía y Celulosa S.A.	
102-2 Activities, brands, products, and services	Business model and strategy, business lines, sustainable products	8–17, 35–40, 41–56, 228–235
102-3 Location of headquarters	C/ Beatriz de Bobadilla 14 28040 Madrid, Spain	
102-4 Location of operations	Business model and strategy, business lines	8–17, 35–40, 41–56
102-5 Ownership and legal form	Commitment to good governance	77–91
102-6 Markets served	Business lines, sustainable products	41–56, 228–235
102-7 Scale of the organisation	Ence at a glance, business lines, people	9, 41–56, 107–135
102-8 Information on employees and other workers	People	107–135
102-9 Supply chain	Rural and agroforestry development	176-215
102-10 Significant changes to the organisation and its supply chain	The most significant change in the reporting period was the inclusion of the Biollano biomass generation plant, which began operating at the beginning of 2020, within the reported information scope. At the organisational level, the most significant changes have been the addition of a minority partner in the energy business and the sale of the Puertollano solar thermal plant in December 2020. Further information on the main acquisitions and divestments of the year can be found in Note 6 of the company's annual accounts.	
102-11 Precautionary principle or approach	Risk management, environmental commitment	92–100, 148–175

102-12 External Initiatives	Innovation and digitisation, Rural and Agroforestry Development, Ence with the community	57–75, 176–215, 256–253
102-13 Membership of associations	Rural and Agroforestry Development, Ence with the communities In 2020, Ence allocated €325,245 to the payment of association fees.	176–215, 256–253
STRATEGY		
102-14 Statement from senior decision-makers	Interview with the Chairman	3
102-15(*) Key impacts, risks, and opportunities	Business model and strategy, risk management, environmental commitment	8–17, 92–100, 149–154
ETHICS AND INTEGRITY		
102-16 Values, principles, standards, and norms of behaviour	Commitment to good governance, ethics and compliance, commitment to sustainability	77–91; 101–105, 26–34
102-17(*) Mechanisms for advice and concerns about ethics	Commitment to good governance, ethics and compliance	77–91, 101–105
GOVERNANCE		
102-18 Governance structure	Commitment to good governance	77–91
102-19(*) Delegating authority	Commitment to good governance	77–91
102-20(*) Executive-level responsibility for economic, environmental, and social topics	Commitment to good governance, ethics and compliance, environmental commitment	77-91, 101-105, 148-175
102-21(*) Consulting stakeholders on economic, environmental, and social topics	Materiality analysis, Ence with the communities, rural and agroforestry development	28, 256–253, 176–215
102-22(*) Composition of the highest governance body and its committees	Commitment to good governance	77–91
102-23(*) Chair of the highest governance body	Commitment to good governance	77–91
102-24(*) Nominating and selecting the highest governance body	Commitment to good governance	77–91
102-25(*) Conflicts of interest	Ence's internal regulations, and in particular its Board of Directors Regulations (sections 33 et seq.), establish the regulations applicable to possible conflict of interest situations of the Board Members, specifying the actions to be carried out and the mechanisms to be applied to avoid and, where appropriate, manage such situations. The full Regulations of the Board of Directors are available to all Ence's stakeholders on the company's website	
102-26(*) Role of highest governance body in setting objectives, values, and strategy	Commitment to good governance	77–91

102-27(*) Collective knowledge of highest governance body	Commitment to good governance	77–91
102-28(*) Evaluating the highest governance body' s performance	Commitment to good governance	77–91
102-29(*) Identifying and managing economic, environmental, and social impacts	Commitment to good governance, risk management, materiality analysis, environmental commitment	
102-30(*) Effectiveness of risk management processes	Commitment to good governance	77–91
102-31(*) Review of economic, environmental, and social topics	Commitment to good governance, risk management, materiality analysis, environmental commitment	77–91
102-32(*) Highest governance body' s role in sustainability reporting	Commitment to good governance.	77–91
102-33(*) Communicating critical concerns	Concerns recorded through the various channels of interaction with Ence's stakeholders, such as, for example, visits to customers, employee and local communities perception studies, contact with investors, and so on, are conveyed to the Board through the inclusion of specific items on the agendas of the regular meetings of the Board and its Delegated Committees.	
102-34(*) Nature and total number of critical concerns	The main sustainability-related concerns discussed by the Board and its Delegated Committees were related to the health and safety of workers and contractors, specifically in relation to Ence's response to the health crisis caused by Covid-19. The environmental performance of the facilities, Ence's response to climate change (objectives concerning the reduction of emissions and climate risk analysis), and the equality and diversity of the workforce were also discussed.	
102-35(*) Remuneration policies	Commitment to good governance	77–91
102-36(*) Process for determining remuneration	Commitment to good governance	77–91
102-37(*) Stakeholders' involvement in remuneration	The Company holds meetings with proxy advisors to learn about investor expectations regarding remunerations, as well as their policies and recommendations in this regard. Likewise, the shareholders of the Company cast their vote at the Meeting for the approval or not of the Remuneration Policy, and their consultative vote on the Annual Report on the Remuneration of Directors.	
102-38(*) Annual total compensation ratio	The annual total compensation ratio of the highest-paid person with respect to the average for the workforce is detailed below: 2018: 24.4 2019: 24.8 2020: 21.6	

102-39(*) Percentage increase in annual total compensation ratio	The annual compensation in 2020 of the highest-paid person decreased by 19.1% while the average annual compensation of the workforce decreased by 6.9%. (In calculating the total annual compensation of the highest-paid person, only his/her compensation for executive functions is taken into account)	
STAKEHOLDER ENGAGEMENT		
102-40 List of stakeholder groups	Commitment to sustainability	26-34
102-41 Collective bargaining agreements	People	107–135
102-42 Identifying and selecting stakeholders	Commitment to sustainability	26-34
102-43 Approach to stakeholder engagement	Commitment to sustainability, Ence with the community	26–34, 256–253
102-44 Key topics and concerns raised	Commitment to sustainability, Rural and Agroforestry Development, Ence with the community	26-34, 176-215, 256-253
REPORTING PRACTICE		
102-45 Entities included in the consolidated financial statements	This information can be found in the Annual Accounts report, section 2.	
102-46 Defining report content and topic Boundaries	Appendix I: About this report	255
102-47 List of material topics	Materiality analysis	28
102-48 Restatements of information	The data contained in this report corresponding to previous years may imply restatements of the information contained in previous sustainability reports issued by the company. These changes may be due to rounding of decimals, differences in measurement methods, or post-report revisions. In the case of the calculation of the carbon footprint, as indicated in the note attached to the results, the data should be considered provisional. Differences with the final data presented in the company's GHG reports may be due to the unavailability of the emission factors and other parameters outside the company updated at the closing date of the report by the corresponding official bodies. In the case of waste generation, this report re-expresses the information relating to the Pontevedra plant, until now expressed in t on a dry basis, in order to express it in t on a wet basis and allow the consolidation of data at Group level.	
102-49 Changes in reporting	No significant changes have been made with respect to the previous reporting cycle; only the structure of the report contents has been modified to align it with the structure of Ence's 2019-2023 Sustainability Master Plan, which was updated in 2020 with the addition of the Climate Action section. A specific section has also been	

	included to report on Ence's response to the Covid-19 pandemic.	
102-50 Reporting period	2020	
102-51 Date of most recent report	2019	
102-52 Reporting cycle	Annual	
102-53 Contact point for questions regarding the report	Appendix I: About this report	255
102-54 Claims of reporting in accordance with the GRI Standards	Appendix I: About this report	255
102-55 GRI content index	Appendix II: GRI content index	257
102-56 External assurance	Appendix V: External assurance	289

THEMATIC CONTENTS - ECONOMIC PERFORMANCE		
GRI Indicator	**Report section/direct response**	**Pages**
GRI 201: ECONOMIC PERFORMANCE		
103-1 Explanation of material subject and its scope	Performance. For further information, see the consolidated annual accounts	15-17
103-2 The management approach and its components	Performance. For further information, see the consolidated annual accounts	15-17
103-3 Evaluation of the management approach	Performance. For further information, see the consolidated annual accounts	15-17
201-1 Direct economic value generated and distributed	Performance	15-17
201-2 Financial implications and other risks and opportunities due to climate change	Climate action	216-227
201-3 Defined benefit plan obligations and other retirement plans	People; Annual Accounts; Annual Corporate Governance Report, Annual Reports on Directors' Remuneration	107–135
201-4 Financial assistance received from government	Tax contribution	241-245
GRI 202: MARKET PRESENCE		
103-1 Explanation of material subject and its scope	Strategic Plan, Performance, Business lines	35-40, 15-17, 41-56
103-2 The management approach and its components	Strategic Plan, Performance, Business lines	35-40, 15-17, 41-56
103-3 Evaluation of the management approach	Strategic Plan, Performance, Business lines	35-40, 15-17, 41-56

202-1 Ratios of standard entry level wage by gender compared to local minimum wage	People	107–135
202-2 Proportion of senior management hired from the local community	100%. All the members of the Management Committee are from Spain, the country in which all of Ence's relevant operation sites are located.	
GRI 203: INDIRECT ECONOMIC IMPACTS		
103-1 Explanation of material subject and its scope	Strategic Plan, Performance, Business lines	35-40, 15-17, 41-56
103-2 The management approach and its components	Strategic Plan, Performance, Business lines	35-40, 15-17, 41-56
103-3 Evaluation of the management approach	Strategic Plan, Performance, Business lines	35-40, 15-17, 41-56
203-1 Infrastructure investments and services supported	Strategic Plan, Performance, Business lines	35-40, 15-17, 41-56
203-2 Significant indirect economic impacts	Business lines, Rural and Agroforestry Development	41-56, 176-215
GRI 204: PROCUREMENT PRACTICES		
103-1 Explanation of material subject and its scope	Rural and agroforestry development	176-215
103-2 The management approach and its components	Rural and agroforestry development	176-215
103-3 Evaluation of the management approach	Rural and agroforestry development	176-215
204-1 Proportion of spending on local suppliers	Rural and agroforestry development	176-215
GRI 205: ANTI-CORRUPTION		
103-1 Explanation of material subject and its scope	Ethics and compliance	101-105
103-2 The management approach and its components	Ethics and compliance	101-105
103-3 Evaluation of the management approach	Ethics and compliance	101-105
205-1 Operations assessed for risks related to corruption	Ethics and compliance	101-105
205-2 Communication and training about anti-corruption policies and procedures	In 2020, 1138 employees received training on compliance issues, including training on Ence's Code of Conduct and Criminal Compliance Policy.	
205-3 Confirmed incidents of corruption and actions taken	Ethics and compliance	101-105
GRI 206: ANTI-COMPETITIVE BEHAVIOUR		
103-1 Explanation of material subject and its scope	Ethics and compliance	101-105
103-2 The management approach and its components	Ethics and compliance	101-105
103-3 Evaluation of the management approach	Ethics and compliance	101-105

206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	No legal actions have been brought against Ence in relation to unfair competition, monopolistic practices, or free competition during the reporting period.	
GRI 207: TAXATION		
207-1 Approach to tax	Ence with the community (Tax contribution)	241-245
207-2 Tax governance, control, and risk management	Ence with the community (Tax contribution)	241-245
207-3 Stakeholder engagement and management concerns related to tax	Ence with the community (Tax contribution)	241-245
207-4 Country-by-country reporting	Ence with the community (Tax contribution)	241-245
THEMATIC CONTENTS - ENVIRONMENT		
GRI Indicator	**Report section/direct response**	**Pages**
GRI 301: MATERIALS		
103-1 Explanation of material subject and its scope	Environmental commitment	154-158
103-2 The management approach and its components	Environmental commitment	154-158
103-3 Evaluation of the management approach	Environmental commitment	154-158
301-1 Materials used by weight or volume	Environmental commitment	154-158
301-2 Recycled supplies	Environmental commitment	154-158
301-3 Reclaimed products and their packaging materials	Environmental commitment	154-158, 160
GRI 302: ENERGY		
103-1 Explanation of material subject and its scope	Environmental commitment	162-166
103-2 The management approach and its components	Environmental commitment	162-166
103-3 Evaluation of the management approach	Environmental commitment	162-166
302-1 Energy consumption within the organisation	Environmental commitment	162-166
302-3 Energy intensity	Environmental commitment	162-166
302-4 Reduction of energy consumption	Environmental commitment	162-166
302-5 Reductions in energy requirements of products and services	Environmental commitment	162-166
GRI 303: WATER AND EFFLUENTS		
303-1 Interaction with water as a shared resource	Environmental commitment	166-171
303-2 Management of impacts related to water discharges	Environmental commitment	166-171

303-3 Water withdrawal	Environmental commitment	166-171
303-4 Water discharge	There were no significant spills in the reporting period.	
303-5 Water consumption	Environmental commitment	166-171
GRI 304: BIODIVERSITY		
103-1 Explanation of material subject and its scope	Rural and agroforestry development	193-199
103-2 The management approach and its components	Rural and agroforestry development	193-199
103-3 Evaluation of the management approach	Rural and agroforestry development	193-199
304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	The protected areas nearest (<5 km) Ence's operational centres are the ría de Pontevedra (declared as a sensitive area), the Peñarronda-Barayo SAC (Navia), the SCIs Marismas de Nicoba and Marismas de Santa Ribera and (Huelva), the SCI Río Guadiana and the Sierra de las Cabrerizas SPA (Mérida), and the SCIs Río Guadalimar and Río Guadalquivir (Lucena).	
304-2 Significant impacts of activities, products, and services on biodiversity	Rural and agroforestry development	193-199
304-3 Habitats protected or restored	Rural and agroforestry development	193-199
304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	Rural and agroforestry development	193-199
GRI 305: EMISSIONS		
103-1 Explanation of material subject and its scope	Climate action, environmental commitment	216-227, 160-162
103-2 The management approach and its components	Climate action, environmental commitment	216-227, 160-162
103-3 Evaluation of the management approach	Climate action, environmental commitment	216-227, 160-162
305-1 Direct GHG emissions (Scope 1)	Climate action	216-227
305-2 Indirect GHG emissions (Scope 2) from the generation of energy	Climate action	216-227
305-3 Other indirect (Scope 3) GHG emissions	Climate action	216-227
305-4 GHG emissions intensity	Climate action	216-227
305-5 Reduction of GHG emissions	Climate action	216-227
305-6 Emissions of ozone-depleting substances (ODS)	Not applicable, as Ence's activity does not generate significant ozone-depleting emissions. The only emission sources (gas recharges due to refrigeration equipment	

	losses) are point sources and the amount emitted is negligible.	
305-7 Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	Environmental commitment	160-162
GRI 306: WASTE		
103-1 Explanation of material subject and its scope	Environmental commitment	158-160
103-2 The management approach and its components	Environmental commitment	158-160
103-3 Evaluation of the management approach	Environmental commitment	158-160
306-1 Waste generation and associated significant impacts	Environmental commitment	158-160
306-2 Management of significant impacts associated with waste	Environmental commitment	158-160
306-3 Waste generated	Environmental commitment	158-160
306-4 Waste diverted from disposal	Environmental commitment	158-160
306-5 Wastes sent for disposal	Environmental commitment	158-160
GRI 307: ENVIRONMENTAL COMPLIANCE		
103-1 Explanation of material subject and its scope	Environmental commitment	149-154
103-2 The management approach and its components	Environmental commitment	149-154
103-3 Evaluation of the management approach	Environmental commitment	149-154
307-1 Non-compliance with environmental laws and regulations	Occasional exceedances of noise levels have been recorded at the Navia, Huelva and Enemansa plants and in air quality at the Huelva plant. Ence has designed action plans to remedy them. Throughout 2020, and linked to the consolidation of the new biomass plant start-up in Puertollano, NOx and CO emissions have also been exceeded. To remedy this, improvements have been made to combustion systems, purification installations and soundproofing, and the evolution of these aspects will be closely monitored during 2021.	
GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT		
103-1 Explanation of material subject and its scope	Rural and agroforestry development	205-210
103-2 The management approach and its components	Rural and agroforestry development	205-210
103-3 Evaluation of the management approach	Rural and agroforestry development	205-210

308-1 New suppliers that were screened using environmental criteria	Rural and agroforestry development	205-210
308-2 Negative environmental impacts in the supply chain and actions taken	Rural and agroforestry development	205-210

THEMATIC CONTENTS - SOCIAL		
GRI Indicator	**Report section/direct response**	**Pages**
GRI 401: EMPLOYMENT		
103-1 Explanation of material subject and its scope	People	107–135
103-2 The management approach and its components	People	107–135
103-3 Evaluation of the management approach	People	107–135
401-1 New employee hires and employee turnover	People	107–135
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	People	107–135
401-3 Parental leave	People	107–135
GRI 402: LABOUR/MANAGEMENT RELATIONS		
103-1 Explanation of material subject and its scope	People	107–135
103-2 The management approach and its components	People	107–135
103-3 Evaluation of the management approach	People	107–135
402-1 Minimum notice periods regarding operational changes	Minimum notice periods comply with current legislation (Collective Bargaining Agreements signed and applied at each site and the Workers' Statute).	
GRI 403: OCCUPATIONAL HEALTH AND SAFETY		
403-1 Occupational health and safety management system	Health and safety	137-147
403-2 Hazard identification, risk assessment and incident investigation	Health and safety	137-147
403-3 Occupational health services	Health and safety	137-147
403-4 Workers participation in regard to health and safety at work	Health and safety	137-147
403-5 Training of workers on occupational health and safety	Health and safety, People	137-147, 107-135
403-6 Workers' health promotion	Health and safety, People	137-147, 107-135

403-7 Prevention and mitigation of impacts on the health and safety of workers directly linked through business relationships	Health and safety	137-147
403-8 Workers covered by an occupational safety and health management system	100%	
403-9 Work-related injuries	Health and safety. No fatal accidents were recorded in the reporting period.	137-147
403-10 Occupational diseases and illnesses	Health and safety	137-147
GRI 404: TRAINING AND EDUCATION		
103-1 Explanation of material subject and its scope	People	107–135
103-2 The management approach and its components	People	107–135
103-3 Evaluation of the management approach	People	107–135
404-1 Average hours of training per year per employee	People	107–135
404-2 Programmes for upgrading employee skills and transition assistance programmes	People	107–135
404-3 Percentage of employees receiving regular performance and career development reviews	People	107–135
GRI 405: DIVERSITY AND EQUAL OPPORTUNITIES		
103-1 Explanation of material subject and its scope	People	107–135
103-2 The management approach and its components	People	107–135
103-3 Evaluation of the management approach	People	107–135
405-1 Diversity of governing bodies and employees	Commitment to good governance, people	77-91, 107-135
405-2 Ratio of basic salary and remuneration of women to men	People	107–135
GRI 406: NON-DISCRIMINATION		
103-1 Explanation of material subject and its scope	Ethics and Compliance, people	101-105, 107-135
103-2 The management approach and its components	Ethics and Compliance, people	101-105, 107-135
103-3 Evaluation of the management approach	Ethics and Compliance, people	101-105, 107-135
406-1 Incidents of discrimination and corrective actions taken	No cases of discrimination were recorded in the reporting period	

GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING		
103-1 Explanation of material subject and its scope	Ethics and Compliance, people	101-105, 107-135
103-2 The management approach and its components	Ethics and Compliance, people	101-105, 107-135
103-3 Evaluation of the management approach	Ethics and Compliance, people	101-105, 107-135
407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	No operations or suppliers were identified in which the right to freedom of association and collective bargaining could have been at risk during the reporting period.	
GRI 408: CHILD LABOUR		
103-1 Explanation of material subject and its scope	Ence's Code of Conduct and Sustainability Policy state the company's public commitment to Human Rights even though the company carries out its operations (including its supply chain) in European Union countries in which there are robust regulatory frameworks and control systems that make this risk not deemed significant. Even so, Ence requires suppliers to adhere to its Code of Conduct and includes specific human rights compliance clauses in its contracts with agroforestry suppliers. No operations or suppliers with risk of child labour cases have been detected in the reporting period	
103-2 The management approach and its components		
103-3 Evaluation of the management approach		
408-1 Operations and suppliers at significant risk for incidents of child labour		
GRI 409: FORCED OR COMPULSORY LABOUR		
103-1 Explanation of material subject and its scope	Ence's Code of Conduct and Sustainability Policy state the company's public commitment to Human Rights even though the company carries out its operations (including its supply chain) in European Union countries in which there are robust regulatory frameworks and control systems that make this risk not deemed significant. Even so, Ence requires suppliers to adhere to its Code of Conduct and includes specific human rights compliance clauses in its contracts with agroforestry suppliers. No operations or suppliers with risk of forced or compulsory labour were detected during the reporting period.	
103-2 The management approach and its components		
103-3 Evaluation of the management approach		
409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour		
GRI 410: SECURITY PRACTICES		
103-1 Explanation of material subject and its scope	Ence's Code of Conduct and Sustainability Policy state the company's public commitment to Human Rights even though the company carries out its operations (including its supply chain) in European Union countries in which there are robust regulatory frameworks and control systems that make this risk not deemed significant. However, Ence has worked with its contractors responsible for facility security to include human rights training in the training programmes of its staff, which are held on a regular basis. The last training courses on this matter were held in 2019.	
103-2 The management approach and its components		
103-3 Evaluation of the management approach		
410-1 Security personnel trained in human rights policies or procedures		

GRI 411: RIGHTS OF INDIGENOUS PEOPLE		
103-1 Explanation of material subject and its scope **103-2 The management approach and its components** **103-3 Evaluation of the management approach** **411-1 Incidents of violations involving rights of indigenous people**	This does not apply, since Ence does not operate in countries or territories inhabited by indigenous people. Therefore, this aspect is not considered material. Particularly, Ence does not import timber from countries where the rights of indigenous people are violated; 100% of the timber used by Ence comes from European Union countries.	
GRI 412: HUMAN RIGHTS ASSESSMENT		
103-1 Explanation of material subject and its scope **103-2 The management approach and its components** **103-3 Evaluation of the management approach** **412-1 Operations that have been subject to human rights reviews or impact assessments**	Ence carries out its operations in European Union countries where the risk of Human Rights violations is not deemed significant. However, the company includes human rights compliance clauses in contracts with wood and biomass suppliers and certification systems for the wood suppliers Ence works with, such as the FSC® chain of custody certification that includes the declaration of compliance with current labour regulations. Even so, Ence includes human rights compliance clauses in contracts with agroforestry suppliers.	
412-2 Employee training on human rights policies or procedures	In 2020, a total of 990 employees received training on the matter of Ence's code of conduct, which includes the company's business principles on human rights, including, among other things, the protection of workers' rights and the assessment of human rights compliance in supplier evaluation processes. In 2020, Ence also launched a specific sustainability training programme, which includes human rights training. A total of 1404 employees participated in this programme.	
412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights assessment	Significant investment contracts are entered into with companies located in countries where the risk of human rights violations is not deemed significant. In any case, suppliers are required to adhere to Ence's Code of Conduct, which includes a commitment to respect human rights. Contracts with agroforestry suppliers include specific clauses on the respect for human rights.	
GRI 413: LOCAL COMMUNITIES		
103-1 Explanation of material subject and its scope	Rural and Agroforestry Development, Ence with the Community	176–215, 256–253

103-2 The management approach and its components	Rural and Agroforestry Development, Ence with the Community	176–215, 256–253
103-3 Evaluation of the management approach	Rural and Agroforestry Development, Ence with the Community	176–215, 256–253
413-1 Operations with local community engagement, impact assessments, and development programmes	Rural and Agroforestry Development, Ence with the Community	176–215, 256–253
413-2 Operations with significant actual and potential negative impacts on local communities	Rural and Agroforestry Development, Ence with the Community	176–215, 256–253
GRI 414: SUPPLIER SOCIAL ASSESSMENT		
103-1 Explanation of material subject and its scope	Rural and agroforestry development	205-210
103-2 The management approach and its components	Rural and agroforestry development	205-210
103-3 Evaluation of the management approach	Rural and agroforestry development	205-210
414-1 New suppliers that were screened using social criteria	Rural and agroforestry development	205-210
414-2 Negative social impacts in the supply chain and actions taken	Rural and agroforestry development	205-210
GRI 415: PUBLIC POLICY		
103-1 Explanation of material subject and its scope	Ethics and compliance, Ence with the community	101-105, 251-254
103-2 The management approach and its components	Ethics and compliance, Ence with the community	101-105, 251-254
103-3 Evaluation of the management approach	Ethics and compliance, Ence with the community	101-105, 251-254
415-1 Contributions to political representatives and/or political parties	No contributions were made to political parties and/or representatives during the reporting period.	
GRI 416: CUSTOMER HEALTH AND SAFETY		
103-1 Explanation of material subject and its scope	Business lines, sustainable products	41–56, 228–235
103-2 The management approach and its components	Business lines, sustainable products	41–56, 228–235
103-3 Evaluation of the management approach	Business lines, sustainable products	41–56, 228–235
416-1 Assessment of the health and safety impacts of product and service categories	The cellulose produced by Ence has certificates that prove its safety for customers and end consumers, both the MSDS (Material Safety Data Sheet) and the ISEGA certification of suitability for food contact.	

416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	There were no cases of non-compliance related to health and safety impacts for Ence's product and service categories during the reporting period.	
GRI 417: MARKETING AND LABELLING		
103-1 Explanation of material subject and its scope	Business lines, sustainable products	41–56, 228–235
103-2 The management approach and its components	Business lines, sustainable products	41–56, 228–235
103-3 Evaluation of the management approach	Business lines, sustainable products	41–56, 228–235
417-1 Requirements for product and service information and labelling	Ence includes a label on its pulp products that allows traceability and provides customers with all relevant information about its production, such as the production date, the product code, the name of the biofactory in which it was produced, or the lot number.	
417-2 Incidents of non-compliance concerning product and service information and labelling	No cases of non-compliance related to product information and labelling were recorded in the reporting period.	
417-3 Incidents of non-compliance concerning marketing communications	No instances of non-compliance related to marketing communications were recorded in the reporting period.	
GRI 418: CUSTOMER PRIVACY		
103-1 Explanation of material subject and its scope	Digitisation and cybersecurity. Ence's information security procedure includes the requirement to sign confidentiality clauses or agreements with customers and suppliers.	57-75
103-2 The management approach and its components		
103-3 Evaluation of the management approach		
418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	No complaints were registered regarding breaches of customer privacy and losses of customer data during the reporting period.	
GRI 419: SOCIOECONOMIC COMPLIANCE		
103-1 Explanation of material subject and its scope	Business model and strategy	8-17, 35-40
103-2 The management approach and its components	Business model and strategy	8-17, 35-40
103-3 Evaluation of the management approach	Business model and strategy	8-17, 35-40
419-1 Non-compliance with laws and regulations in the social and economic area	There were no significant breaches of social and economic laws and regulations during the reporting period.	
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103-1 Explanation of material subject and its scope	Innovation and digitalisation	57-75

103-2 The management approach and its components	Innovation and digitalisation	57-75
103-3 Evaluation of the management approach	Innovation and digitalisation	57-75

III - Law 11/2018 content index

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Description of the group's business model		
A brief description of the group's business model, including its business environment, organisation and structure, the markets in which it operates, its objectives and strategies, and the main factors and trends that may affect its future evolution.	GRI 102-2 Activities, brands, products, and services	8–17, 35–40, 41–56, 228–235
	GRI 102-3 Location of headquarters	257
	GRI 102-4 Location of operations	8–17, 35–40, 41–56
	GRI 102-6 Markets served	41–56, 228–235
	GRI 102.14 Statement from senior decision-makers	3
	GRI 102-15 Key impacts, risks, and opportunities	8-17, 92-100
	GRI 102-7 Scale of the organisation	9, 41–56, 107–135
Principle of materiality	GRI 102-46 Defining report content and topic Boundaries	255
	GRI 102-47 List of material topics	28
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	GRI 103-3 Evaluation of the management approach	154-158
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Main risks related to issues associated with the group's activities, including, where relevant and proportionate, its commercial relations, products or services that may have negative effects in those areas, and how the group manages those risks, explaining the procedures used to identify and	GRI 102-15 Key impacts, risks, and opportunities	8–17, 92–100, 149–154
	GRI 102-11 Precautionary principle or approach	92–100, 148–175

evaluate them pursuant to the national, European, or international reference frameworks for each subject. This should include information on the impacts that have been identified, giving a breakdown of these impacts, in particular on the main risks in the short, medium, and long term.	GRI 102-30 Effectiveness of risk management processes	77–91
	GRI 201-2 Financial implications and other risks and opportunities due to climate change	216-227
General		
Current and foreseeable effects of the company's activities on the environment and, where appropriate, on health and safety.	GRI 102-15 Key impacts, risks, and opportunities	8–17, 92–100, 149–154
Environmental assessment or certification procedures	GRI 102-11 Precautionary principle or approach Ence has environmental certifications in accordance with the UNE-EN ISO 14001 standard and the European Eco-Management and Audit Scheme (EMAS), as well as the EU Ecolabel, Nordic Swan and AENOR Zero Waste environmental certifications. More information in the Environmental Commitment section	92–100, 148–175
Resources dedicated to the prevention of environmental risks	GRI 103-2 The management approach and its components The Environmental Commitment section contains the details of the environmental investments made by the company during the year. In addition, Ence has created a General Directorate for Health, Safety and the Environment and each facility has a team dedicated to environmental management and the prevention of environmental risks	151-154
Application of the precautionary principle	GRI 102-11 Precautionary principle or approach	92–100, 148–175
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Measures to prevent, reduce, or remedy carbon emissions that seriously affect the environment, taking into account any form of air pollution specific to an activity, including noise and light pollution.	GRI 103-2 Management Approach (with a view to GRIs 302 and 305)	154-158
	GRI 302-4 Reduction of energy consumption	162-166
	GRI 302-5 Reduction in energy requirements of products and services	162-166
	GRI 305-7 Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	160-162
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Circular Economy and waste prevention and management		
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	GRI 301-1 Materials used by weight or volume	154-158
	GRI 301-2 Recycled supplies	154-158
	GRI 301-3 Reclaimed products and their packaging materials	154-158, 160
	GRI 306-3 Waste generated	158-160
	GRI 306-4 Waste diverted from disposal	158-160
	GRI 306-5 Waste sent for disposal	158-160
	GRI 303-4 Water discharge	166-171
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	GRI 301-1 Materials used by weight or volume	154-158
	GRI 301-2 Recycled supplies	154-158
	GRI 301-3 Reclaimed products and their packaging materials	154-158, 160
Energy: Consumption, direct and indirect; measures taken to improve energy efficiency, use of renewable energies	GRI 102-2 Management Approach (Energy)	162-166
	GRI 302-1 Energy consumption within the organisation	162-166
	GRI 302-3 Energy intensity	162-166
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	GRI 305-2 Indirect energy generation GHG emissions (Scope 2)	216-227
	GRI 305-3 Other indirect (Scope 3) GHG emissions	216-227
	GRI 305-4 GHG emissions intensity	216-227
	GRI 305-5 Reduction of GHG emissions	216-227
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	GRI 201-2 Financial implications and other risks and opportunities due to climate change	216-227

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	GRI 304-3 Habitats protected or restored	193-199
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	GRI 304-2 Significant impacts of activities, products, and services on biodiversity	193-199
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<table>
<tr><td rowspan="3">Total number and distribution of employees by gender, age, country and professional classification</td><td>GRI 102-7 Scale of the organisation</td><td>107–135</td></tr>
<tr><td>GRI 102-8 Information on employees and other workers</td><td>107–135</td></tr>
<tr><td>GRI 405-1. b) The percentage of employees by job category for each of the following diversity categories: gender and age group</td><td>107–135</td></tr>
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<tr><td>Average annual number of permanent, temporary and part-time contracts by gender, age and professional classification</td><td>GRI 102-8 Information on employees and other workers. Ence reports the information at the end of the financial year, as the difference between the mean workforce data and year-end data is less than 5%, so both data reflect equivalent and very similar information.</td><td>107–135</td></tr>
<tr><td>Number of redundancies by gender, age and occupational classification</td><td>GRI 401-1.b) Total number and turnover rate of staff during the reporting period, by age group, gender and region (for dismissals)
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<table>
<tr><th>2020 Redundancies</th><th>M</th><th>F</th><th>Total</th></tr>
<tr><td>General Management</td><td>4</td><td>2</td><td>6</td></tr>
<tr><td>From 31 to 50 years old</td><td>1</td><td>2</td><td>3</td></tr>
<tr><td>Over 50 years old</td><td>3</td><td></td><td>3</td></tr>
<tr><td>Managers</td><td>3</td><td>1</td><td>4</td></tr>
<tr><td>From 31 to 50 years old</td><td>3</td><td>1</td><td>4</td></tr>
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<tr><td>From 31 to 50 years old</td><td>1</td><td></td><td>1</td></tr>
<tr><td>Team managers</td><td>1</td><td></td><td>1</td></tr>
<tr><td>From 31 to 50 years old</td><td>1</td><td></td><td>1</td></tr>
<tr><td>TECHNICIANS</td><td>3</td><td>3</td><td>6</td></tr>
<tr><td>From 31 to 50 years old</td><td>1</td><td>1</td><td>2</td></tr>
<tr><td>Up to 30 years old</td><td>1</td><td>2</td><td>3</td></tr>
<tr><td>Over 50 years old</td><td>1</td><td></td><td>1</td></tr>
<tr><td>Total</td><td>12</td><td>6</td><td>18</td></tr>
</table></td><td></td></tr>
<tr><td>Average salaries and their evolution disaggregated by gender, age and professional classification or equal value</td><td>GRI 405-2 Ratio of basic salary and remuneration of women to men In the section Remuneration and social benefits, average remuneration and its evolution are reported in detail.</td><td>107–135</td></tr>
<tr><td>Pay Gap</td><td>GRI 405-2 Ratio of basic salary and remuneration of women to men The Remuneration and benefits section reports information on the pay gap and details the methodology used.</td><td>107–135</td></tr>
<tr><td>Remuneration of equal or average jobs in the company</td><td>GRI 405-2 Ratio of basic salary and remuneration of women to men In the Remuneration and benefits section, the average remuneration by professional category is reported</td><td>107–135</td></tr>
<tr><td rowspan="3">The average remuneration of directors and executives, including variable remuneration, meal allowances, indemnities, payment to</td><td>GRI 102-35 Remuneration policies</td><td>107–135</td></tr>
<tr><td>GRI 405-2 Ratio of basic salary and remuneration of women to men</td><td>107–135</td></tr>
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Main risks related to issues associated with the group's activities, including, where relevant and proportionate, its commercial relations, products or services that may have negative effects in those areas, and how the group manages those risks, explaining the procedures used to identify and evaluate them pursuant to the national, European, or international reference frameworks for each subject. This should include information on the impacts that have been identified, giving a breakdown of these impacts, in particular on the main risks in the short, medium, and long term.	GRI 102-15 Key impacts, risks, and opportunities	8-17, 92-100
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Main risks		

Main risks related to issues associated with the group's activities, including, where relevant and proportionate, its commercial relations, products or services that may have negative effects in those areas, and how the group manages those risks, explaining the procedures used to identify and evaluate them pursuant to the national, European, or international reference frameworks for each subject. This should include information on the impacts that have been identified, giving a breakdown of these impacts, in particular on the main risks in the short, medium, and long term.	GRI 102-15 Key impacts, risks, and opportunities	8-17, 92-100
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Complaint systems, complaints received and their resolution	GRI 102-17 Mechanisms for advice and concerns about ethics	77–91, 101–105
	GRI 103-2 Management Approach (Customer Health and Safety)	41–56, 228–235
	GRI 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	271
Tax information		
Profits obtained by country	GRI 207-4 Country-by-country reporting	241-245
Income taxes paid	GRI 207-4 Country-by-country reporting	241-245
Public subsidies received	GRI 201-4 Financial assistance received from government	241-245

IV - SASB Content Index

SASB STANDARD: RENEWABLE RESOURCES AND ALTERNATIVE ENERGY SECTOR				
SASB Code-Indicator		**Category**	**Standard used (GRI)**	**Pages**
PULP AND PAPER PRODUCTION (RR-PP)				
Greenhouse Gas Emissions (GHG)				
RR-PP-110a.1	Scope 1 direct GHG emissions	Quantitative	GRI 305-1 Direct GHG emissions (Scope 1)	216-227
RR-PP-110a.2	Short- and long-term strategy or plan for the management of Scope 1 direct emissions, emission reduction objectives and monitoring of these targets	Discussion and analysis	GRI 305-5 Reduction of GHG emissions	216-227
Air quality				
RR-PP-120a.1	Emissions of NOx (excluding N2O), SO2, volatile organic compounds (VOCs), particulate matter and hazardous air pollutants (HAPs)	Quantitative	GRI 305-7 Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	160-162
Energy Management				
RR-PP-130a.1	Energy consumed, percentage pertaining to the grid, consumption percentage from biomass generation, percentage from other renewable source	Quantitative	GRI 302-1 Energy consumption within the organisation	162-166
Water management				
RR-PP-140a.1	Water uptake and consumption, and percentage of consumption in regions of high or extreme water stress	Quantitative	GRI 303-3 Water withdrawal	166-171
			GRI 303-4 Water discharge	166-171
			GRI 303-5 Water consumption	166-171
RR-PP-140a.2	Description of water risk management and discussion of water risk mitigation strategies and practices	Discussion and analysis	GRI 103-1 Explanation of material subject and its scope (Water and effluents)	166-171
			GRI 103-2 The management approach and its components (Water and effluents)	166-171

Supply chain management				
RR-PP-430a.1	Percentage of timber from third parties certified to each certification standard, and certification of timber from other sources	Quantitative	There is no specific GRI standard, Ence reports this information in the Rural and Agroforestry Development section	176-215
RR-PP-430a.2	Percentage of recycled timber purchased	Quantitative	Ence does not use recycled timber in its production processes	
Activity parameters				
RR-PP-000.A	Pulp production	Quantitative	There is no specific GRI standard, Ence reports this information in the Sustainable Products section	228-235
RR-PP-000.C	Wood fibre supplied	Quantitative	Ence does not buy wood fibre, it uses unprocessed wood for pulp production	
FOREST MANAGEMENT (RR-FM)				
Ecosystem services and impacts				
RR-FM-160a.1	Forest area surface certified by a qualified third party and percentage certified to each standard	Quantitative	There is no specific GRI standard, Ence reports this information in the Rural and Agroforestry Development section	176-215
RR-FM-160a.2	Forest area surface classified as protected for conservation purposes	Quantitative	There is no specific GRI standard, Ence reports this information in the Rural and Agroforestry Development section	176-215
RR-FM-160a.3	Forest area surface in protected species habitat	Quantitative	There is no specific GRI standard, Ence reports this information in the Rural and Agroforestry Development section	176-215
RR-FM-160a.4	Description of the approach to optimising opportunities for forest services	Discussion and analysis	There is no specific GRI standard, Ence reports this information in the Rural and Agroforestry Development section	176-215
Rights of indigenous people				
RR-FM-210a.2	Description of commitment and good practices on the respect for human rights, the rights of indigenous people, and the local community	Discussion and analysis	GRI 103-1 Explanation of material subject and its scope (Assessment of Human Rights, Rights of Indigenous People, and the Local Community)	210
			GRI 103-2 The Management Approach and its components (Assessment of Human Rights, Rights of Indigenous People, and the Local Community)	210
			GRI 103-3 Management Approach Assessment (Assessment of Human Rights, Rights of Indigenous People, and the Local Community)	210
			GRI 412-1 Operations that have been subject to human rights reviews or impact assessments	269
			GRI 412-2 Employee training on human rights policies or procedures	269
			GRI 411-1 Incidents of violations involving rights of indigenous peoples	269

			GRI 413-1 Operations with local community engagement, impact assessments, and development programmes	176–215, 256–253
			GRI 413-2 Operations with significant actual and potential negative impacts on local communities	176–215, 256–253
Adaptation to climate change				
RR-FM-450a.1	Description of strategy for managing risks and opportunities for timber production and forest management arising from climate change	Discussion and analysis	There is no specific GRI standard, Ence reports this information in the Climate Action, Forestry R&D&I and Rural and Agroforestry Development sections	216-227, 57-75, 176-215
Activity parameters				
RR-FM-000.A	Forest area owned, leased or managed by the company	Quantitative	There is no specific GRI standard, Ence reports this information in the Rural and Agroforestry Development section	176-215
RR-FM-000.C	Timber harvest volume	Quantitative	There is no specific GRI standard, Ence reports this information in the Rural and Agroforestry Development section	176-215
BIOFUELS (RR-BI)				
Air quality				
RR-BI-120a.1	Emissions of NOx (excluding N2O), SO2, volatile organic compounds (VOCs), particulate matter (PM10) and hazardous air pollutants (HAPs)	Quantitative	GRI 305-7 Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	160-162
RR-BI-120a.2	Number of incidents or non-compliance with permits, standards or regulations associated with air quality	Quantitative	GRI 307-1 Non-compliance with environmental laws and regulations	265
Process water management				
RR-BI-140a.1	Water uptake and consumption, and percentage of consumption in regions of high or extreme water stress	Quantitative	GRI 303-3 Water withdrawal	166-171
			GRI 303-4 Water discharge	166-171
			GRI 303-5 Water consumption	166-171
RR-BI-140a.2	Description of water risk management and discussion of water risk mitigation strategies and practices	Discussion and analysis	GRI 303-1 Interaction with water as a shared resource	166-171
			GRI 303-2 Management of impacts related to water discharges	166-171
RR-BI-140a.3	Number of incidents or non-compliance with	Quantitative	GRI 307-1 Non-compliance with environmental laws and regulations	265

	permits, standards or regulations associated with water quality			
Lifecycle emissions				
RR-BI-410a.1	Lifecycle GHG emissions by biofuel type	Quantitative	GRI 305-1 Direct GHG emissions (Scope 1)	216-227
			GRI 305-4 GHG emissions intensity	216-227
Sourcing and environmental impacts of raw material production				
RR-BI-430a.1	Discussion of the risk management strategy associated with the environmental impact of raw material production	Discussion and analysis	There is no specific GRI standard, Ence reports this information in the Environmental Commitment and Rural and Agroforestry Development sections	148-175, 176-215
RR-BI-430a.2	Percentage of biofuel produced by third parties certified to an environmental sustainability standard	Quantitative	Ence does not use biofuels produced by third parties, the biomass consumed by Ence is of residual agroforestry origin and is not certified by market biofuel sustainability standards, as they are not applicable. The biomass used by Ence is certified by its own sustainability standards (Code for the sustainability of biomass as fuel). More information in the Rural and Agroforestry Development section.	
Management of the legal and regulatory environment				
RR-BI-430a.1	Subsidies received through government programmes	Quantitative	GRI 201-4 Financial assistance received from government	241-245
RR-BI-430a.2	Discussion of the corporate position on government regulation and proposed policies for increasing the relevance of environmental and social factors on the industry	Discussion and analysis	There is no specific GRI standard, Ence reports this information in the Ence with the Community and Rural and Agroforestry Development sections	256-253, 176-215
Operational safety, emergency vigilance and response				
RR-BI-540a.1	Incidents during operation, and frequency and severity rates of incidents that have occurred	Quantitative	GRI 403-9 Injuries due to occupational accidents	137-147
			GRI 403-10 Occupational diseases and illnesses	137-147
Activity parameters				
RR-BI-000.A	Biofuel production capacity	Quantitative	There is no specific GRI standard, Ence reports this information in the Business Lines section	41-56
RR-BI-000.B	Production of renewable fuel, advanced renewable fuel, diesel from biomass and fuel from pulp	Quantitative	There is no specific GRI standard, Ence does not produce biofuels, it uses residual agroforestry biomass for electricity generation and in its biofactories it uses the lignin and biomass left over from the pulp production process as fuel in cogeneration	

RR-BI-000.C	Amount of raw material consumed in production	Quantitative	GRI 301-1 Materials used by weight or volume	154-158

V - Independent External Assurance Report

GRI 102-56

KPMG Asesores, S.L.
Pº de la Castellana, 259 C
28046 Madrid

Independent Assurance Report on Sustainability Report 2020 of Ence Energía y Celulosa S.A. and subsidiaries for 2020

(Translation from the original in Spanish. In case of discrepancy, the Spanish language version prevails.)

To the shareholders of Ence Energía y Celulosa S.A.:

We have been engaged by Ence Energía y Celulosa S.A. Management to perform a limited assurance review of the accompanying "Sustainability Report 2020" for the year ended 31 December 2020 of Ence Energía y Celulosa S.A. (hereinafter, the Parent) and subsidiaries (hereinafter, the Group), prepared in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards), in its core option (hereinafter, the Report).

In addition, pursuant to article 49 of the Spanish Code of Commerce, we have performed a limited assurance review to verify that the Consolidated Non-Financial Information Statement (hereinafter NFIS) of the Group for the year ended 31 December 2020, included in the accompanying Report, which forms part of the Group's 2020 consolidated Directors' Report.

The Report includes additional information to that required by GRI standards in its core option and prevailing mercantile legislation governing non-financial information that has not been the subject of our assurance work. In this regard, our work was limited exclusively to providing assurance on the information identified in the "Law 11/2018 Content index" and "GRI content index" of the Report attached hereto, except for the indicators identified with the symbol "*".

Responsibility of the Parent's Directors and Management

Management of the Parent is responsible for the preparation and presentation of the Report in accordance with the GRI Standards in its core option, for each subject area in the "GRI Content Index" of the Report.

The Directors of the Parent are responsible for the contents and the authorization for issue of the NFIS which has been prepared in accordance with prevailing mercantile legislation and selected GRI Standards and based on the content indicated for each subject area in the " Law 11/2018 Content index" of the aforementioned Report.

This responsibility also encompasses the design, implementation and maintenance of internal control deemed necessary to ensure that the Report is free from material misstatement, whether due to fraud or error.

The Directors of the Parent are also responsible for defining, implementing, adapting and maintaining the management systems used to obtain the information required to prepare the Report.

KPMG Asesores S.L., a limited liability Spanish company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.
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N.I.F. B-82498650

(Translation from the original in Spanish. In case of discrepancy, the Spanish language version prevails.)

Our Independence and quality control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including international independence standards) issued by the International Ethics Standards Board for Accountants (IESBA), which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 (ISQC1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The engagement team was comprised of professionals specialised in reviews of non-financial information and, specifically, in information on economic, social and environmental performance.

Our responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed.

We conducted our review engagement in accordance with International Standard on Assurance Engagements, "Assurance Engagements other than Audits or Reviews of Historical Financial Information" (ISAE 3000 (Revised), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the Performance Guide on assurance engagements on the Non-Financial Information Statement issued by the Spanish Institute of Registered Auditors (ICJCE).

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently, the level of assurance provided is also lower.

Our work consisted of making inquiries of management, as well as of the different units of the Parent that participated in the preparation of the Report, in the review of the processes for compiling and validating the information presented in the Report and in the application of certain analytical procedures and sample review testing described below:

- Meetings with the Parent's personnel to gain an understanding of the business model, policies and management approaches applied, the principal risks related to these questions and to obtain the information necessary for the external review.
- Analysis of the scope, relevance and completeness of the content of the Report based on the materiality analysis performed by the Parent and described in the section "2019-2023 Materiality analysis and Sustainability Master Plan" considering the content required by prevailing mercantile legislation.
- Analysis of the processes for compiling and validating the data presented in the Report for 2020.
- Review of the information relating to the risks, policies and management approaches applied in relation to the material aspects presented in the Report for 2020.

(Translation from the original in Spanish. In case of discrepancy, the Spanish language version prevails.)

- Corroboration, through sample testing, of the information relative to the content of the Report for 2020 and whether it has been adequately compiled based on data provided by information sources.
- Procurement of a representation letter from the Directors and management.

Conclusion

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that:

a) The "Sustainability Report 2020" of Ence Energía y Celulosa S.A. and subsidiaries for the year ended 31 December 2020 has not been prepared, in all material respects, in accordance with the GRI Standards, in its core option, as described in point 102-54 of the "GRI Content Index" of the Report.

b) The NFIS of Ence Energía y Celulosa S.A. and subsidiaries for the year ended 31 December 2020 has not been prepared, in all material respects, in accordance with prevailing mercantile legislation and the GRI Standards selected and based on the content indicated for each subject area in the "Law 11/2018 Content index" of the Report.

Other matters

On 26 February 2020, other assurance providers issued their independent assurance report of the 2019 Sustainability Report of Ence Energía y Celulosa S.A. and subsidiaries for 2020, in which they expressed an unqualified conclusion.

Use and distribution

In accordance with the terms of our engagement, this Independent Assurance Report has been prepared for Ence Energía y Celulosa S.A. in relation to its "Sustainability Report 2020" and for no other purpose or in any other context.

In relation to the Consolidated NFIS, this report has been prepared in response to the requirement established in prevailing mercantile legislation in Spain, and thus may not be suitable for other purposes and jurisdictions.

KPMG Asesores, S.L.

(Signed on original in Spanish)

Ramón Pueyo Viñuales

23 February 2021


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ENERGÍA & CELULOSA