

## REPORT OF THE APPOINTMENTS AND REMUNERATION COMMISSION TO THE BOARD OF DIRECTORS OF ENCE ENERGÍA Y CELULOSA, S.A. PURSUANT TO ARTICLE 529 NOVODECIAS OF THE CAPITAL COMPANIES ACT IN RELATION TO THE PROPOSAL TO APPROVE THE DIRECTORS' REMUNERATION POLICY

### 1. Purpose of the Report

This report is prepared by the Appointments and Remuneration Commission of ENCE ENERGÍA Y CELULOSA, S.A. (the "**Company**") in accordance with article 529 novodecias of the Capital Companies Act (LSC), which establishes that the remuneration policy for Directors will be approved by the general meeting of shareholders at least every three years, will be reasoned and must be accompanied by a report from the Appointments and Remuneration Commission (hereinafter, the "**Report**").

Pursuant to article 529 *quindecias* of the Capital Companies Act, the appointments Commission is responsible for proposing to the Board of Directors of the Company the Directors' Remuneration Policy, as well as the individual remuneration and other contractual conditions of the executive directors, ensuring compliance therewith. Likewise, article 17 of the Regulations of the Board of Directors establishes the responsibility of the Appointments and Remuneration Commission to propose a periodic review of the directors' remuneration policy.

In compliance with the foregoing, the Appointments and Remuneration Commission has agreed to submit this report to the Board of Directors regarding the remuneration policy for the Company's Directors, whose approval is proposed to the General Meeting of Shareholders under item seven of the Agenda.

### 2. REPORT ON THE PROPOSAL FOR THE APPROVAL OF THE DIRECTORS' REMUNERATION POLICY

The Ordinary General Shareholders' Meeting held on 25 March 2020 approved the remuneration policy for the Company's directors, with a period of validity for the years 2020, 2021 and 2022. Although the period of validity of the policy has not ended in financial year 2022, the Appointments and Remuneration Commission has considered it appropriate to propose to the board the submission of the approval of a new remuneration policy to the shareholders at the 2022 General Meeting of Shareholders, in order to adapt its content to the new requirements on the remuneration policy introduced into the Capital Companies Act by Law 5/2021 of 12 April, which amends the consolidated text of the Capital Companies Act with regard to the promotion of long-term shareholder involvement in listed companies ("Law 5/2021"), as soon as it is approved. Some adjustments have also been made to reinforce the alignment of the remuneration system with the Company's strategy and with the corporate governance recommendations. For these purposes, the information received from institutional investors and *proxy advisors* has been considered, as well as the recommendations on directors' remuneration of the Code of Good Corporate Governance of the Spanish Securities Market Commission.

Notwithstanding the above, the remuneration policy presented for approval is in a spirit of continuity with the 2020 policy and is based on the principles that have been the basis of the remuneration system in the Company, i.e.:

- Promote the achievement of the company's interest, incorporating the necessary mechanisms to prevent excessive risk-taking and the rewarding of negative results.

- Align Remunerations with market practices applied by other Spanish listed companies with equivalent turnover and market capitalization, an international vocation, and with staff sizes and levels of complexity similar to ENCE, within a criteria of remunerative moderation in line with the circumstances of the applicable markets.
- Take measures to ensure that the remuneration of External Directors is suitable and incentivizes their dedication, without creating an obstacle for the independence of Independent Directors.
- Make the remuneration of Executive Directors comply with the general guidelines applicable to employees and executives of the Company.

On this basis, the main changes proposed by the Appointments and Remuneration Commission in the new remuneration policy, which is submitted for approval by the General Shareholders' Meeting, are as follows:

**A. Elements of the remuneration policy for directors in their capacity as such**

It is proposed:

- (i) To remove, in accordance with the recommendations of the Code of Good Governance, the possibility that directors, in their capacity as such, may be optionally remunerated in addition to and independently of the Fixed Remuneration, by means of the delivery of shares, share options or any other system referenced to the value of the shares of the Company or of companies in its Group, the application of which shall be agreed by the General Meeting of Shareholders.
- (ii) To also remove, due to lack of application and exceptional nature, the reference to the special concurrence clause and the possible compensation to be received for such a concept.

**B. Elements of the remuneration policy for directors for their executive functions**

It is proposed to incorporate a formula that allows the Appointments and Remuneration Commission, in the event of special circumstances, to act with certain flexibility to propose to the Board the weighting of other objectives and achievements or the application of other criteria in the determination of the short-term Variable Remuneration, with the details of these adjustments being detailed in the Annual Remuneration Report.

**C. Adaptation to the requirements on remuneration policy introduced in the Capital Companies Act by Law 5/2021.**

Drafting improvements have been incorporated and **section 3** on the process of determination, review and implementation of the remuneration policy and **section 7** on the consistency of the policy with the Company's strategy, interests and long-term sustainability have been added.

**D. Period of validity**

The proposed new policy, if approved by the General Meeting of Shareholders, will be applicable, from its approval, to financial years 2022, 2023 and 2024.

For all these reasons, this Commission issues this report to be presented together with the Remuneration Policy proposal of the Board of Directors for approval by the next General Meeting of Shareholders.

Madrid, 22 February 2022