

REPORT PREPARED BY THE BOARD OF DIRECTORS OF ENCE ENERGÍA Y CELULOSA, S.A. ON THE PROPOSED RE-ELECTION, AND NOMINATION OF MEMBERS OF THE BOARD OF DIRECTORS

1. PURPOSE OF THE REPORT

The Board of Directors of ENCE ENERGÍA Y CELULOSA, S.A. (the “**Company**”) has prepared this report in order to comply with Article 529 *decies* (section 5) of the Capital Companies Act, under which the proposed re-election and appointment of Directors of the Board must be supported in all cases by an explanatory report from the Board of Directors evaluating the skills, experience and merits of the proposed candidate. It is foreseen that this proposed re-election and appointment will be subject to the approval of the Company's Annual General Meeting convened for the 30 or 31 March 2022, in the first call and second call respectively, under item five of the agenda.

The policy for the selection of directors and diversity in the composition of the board of directors regulates the process for the selection of candidates for directors, which is based on a prior assessment by the Appointments and Remuneration Commission of the needs of the Company and the determination of the skills, knowledge and experience considered most appropriate, in accordance with the skills matrix in force at any given time.

Prior to this report, the Appointments and Remuneration Commission issued in its meeting of 22 February 2022 the statutory report proposing the appointment or re-election of Independent Directors and indicating the Non-Independent Directors whose appointment will be proposed by this Board, for which purpose it has taken into account the skills, experience and merits of the candidates, as well as the dedication required for the performance of the position.

Therefore, in consideration of all the aforementioned elements, based on the process established for this purpose and the skills matrix in force, the Board, in compliance with the provisions of sections 518 e) and 529*decies* (subsection 6), submits to the General Meeting the proposals on the appointment and re-election of the proprietary director and the "other external" directors of the Company as well as the report on the proposals for re-election and appointment of independent female directors contained below.

2. PROPOSALS FOR RE-ELECTION OF OTHER EXTERNAL DIRECTORS

At the Company's next Ordinary General Meeting of Shareholders, the term of office of the "other external" directors, Mr José Guillermo Zubía Guinea and Mr Fernando Abril-Martorell Hernandez, will expire, and therefore the Board of Directors should examine whether it is appropriate for them to remain and be re-elected as other external directors. To this end, the following has been taken into consideration:

- The adequacy of their experience and knowledge.
- Mr Zubía is valued for his extensive experience in business management and his knowledge of economic and financial matters, risk control and management, taxation, accounting and risk management. His experience in the field of industrial relations and sustainability issues is also valued. His CV is attached as Annex I to this report.
- Regarding Mr Abril-Martorell, he has extensive experience in the business world, with recognised management skills in various sectors, such as telecommunications, technology and finance. He has experience in business management both nationally and internationally and in managing diverse and highly qualified teams. His CV is attached as Annex III to this report.
- Capacity for dedication to the position

The board has verified that the dedication of Mr Zubía and Mr Abril-Martorell has been full in both cases and has not been affected by other activities carried out by both directors.

- Performance in the position
- With respect to Mr Zubía, the board has highly valued his previous performance in the position. His experience and in-depth knowledge of the company enable him to make a significant contribution to the dynamics of the meetings of both the board and the committees of which he is a member.
- Mr Abril-Martorell Hernández has accumulated experience that the board of directors considers very valuable. His strategic vision, his knowledge and his skills in the management of large corporations in complex environments have enriched the debate within the Board of Directors and the Committees which he has been a member of.

Based on their personal and professional assets, the Board of Directors considers that both Mr Zubía Guinea and Mr Abril-Martorell possess the necessary skills, experience and merit. Therefore, the Board proposes to the General Meeting of Shareholders that they be re-elected as other external directors for the statutory period of three years. Thus, the Board endorses the considerations made by the Appointments and Remuneration Commission in the Report.

3. PROPOSAL FOR APPOINTMENT OF PROPRIETARY DIRECTOR

Mr Víctor Urrutia Vallejo has notified the Board of Directors of his resignation as a proprietary director with effect from the Company's next general meeting, which will take place on 31 March 2022.

The Board of Directors has expressed its profound gratitude to Mr Víctor Urrutia Vallejo for his years of service as a director of the Company, during which time he made outstanding personal and professional contributions to the company. The Board has endorsed the

statement of recognition included by the Appointments and Remuneration Commission in its report.

The significant shareholder ASÚA INVERSIONES, S.L. has nominated Mr Ángel Agudo Valenciano to replace Mr Víctor Urrutia Vallejo, whose appointment will be proposed to the General Meeting of Shareholders.

In view of the favourable report by the Appointments and Remuneration Commission, the board deems that Mr Ángel Agudo Valenciano, whose CV is enclosed as Annex II, has the necessary skills and experience to justify proposing to the Company's general meeting his appointment as a proprietary director for the statutory period of three years to replace Mr Víctor Urrutia Vallejo.

4. REPORT ON THE PROPOSAL BY THE APPOINTMENTS AND REMUNERATION COMMITTEE ON THE NOMINATION AND RE-ELECTION OF INDEPENDENT FEMALE DIRECTORS

At the Company's next Ordinary General Meeting of Shareholders, the term of office of the independent directors, Ms Isabel Tocino Biscarolasaga and Ms Amaia Gorostiza Tellería.

Ms Tocino and Ms Gorostiza have informed the Company that they do not wish to be re-elected as directors. For this reason, it is not proposed that they be re-elected as independent directors. The Board expresses its deep appreciation to Ms Tocino and Ms Gorostiza for their dedication and valuable contributions to the Board and the Commissions of which they have been members, as well as the commitment they have shown to the company during their term of office, and endorses the words of recognition included in the report by the Appointments and Remuneration Commission.

To fill the vacancies that will arise on the board with the departure of Ms Tocino and Ms Gorostiza, the Appointments and Remuneration Commission has been advised by an external consultancy firm of recognised prestige that specialises in director selection processes.

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

The board and the Appointments and Remuneration Commission have evaluated the corresponding reports issued by the external consultant in which the competencies and experience of each candidate are highlighted and assessed, and the board has concluded that the proposals made by the Appointments and Remuneration Commission to appoint Ms Carmen Aquerreta Ferraz and Ms Rosalía Gil-Albarellos Marcos, on the understanding that the aforementioned requirements have been met.

With regard to Ms Irene Hernández Álvarez, the Board submits to the General Meeting of Shareholders the proposal of the Appointments and Remuneration Commission for her re-election as independent director.

With regard to the suitability of the experience and knowledge of the directors whose appointment or re-election is proposed, the following aspects should be taken into consideration:

- Ms Hernandez has extensive experience, both nationally and internationally, in the fields of finance, auditing and risk management.
- Ms Aquerreta Ferraz has extensive international experience with knowledge in the economic-financial, accounting, legal and tax fields. She also has experience in evaluation and management of highly qualified human resources. She is a director of two other listed companies. A copy of her CV is attached as Annex V.
- Ms Gil-Albarellos Marcos has extensive experience in the industrial sector, with a particular focus on sustainability and the environment. She also has experience in human resources management, with a particular focus on diversity and equality issues. A copy of her CV is attached as Annex VI.

With regard to the capacity of dedication for the performance of the position, the Board of Directors has verified that the remaining professional occupations of Ms Hernandez, Ms Aquerreta and Ms Gil-Albarellos, which are listed in their professional profiles that are made available to the shareholders, allow for their effective dedication to the exercise of their functions as directors of the Company.

In the case of Ms Hernandez, the Board has highly valued her previous performance in the position and has taken into account her level of attendance in person at the meetings of the administrative bodies and committees of which she has been a member. In particular, the Board has positively valued the contribution made by Ms Irene Hernández to the optimal functioning of the meetings of the Board and its committees, as well as her performance as chairwoman of the Audit Committee, in which she has stood out for her dedication and rigour, tackling in depth the analysis of the different issues dealt with and contributing her knowledge and experience in a systematic and enriching manner for the proper functioning of the body. Her work as Coordinating director is also recognised, having generated a very positive dynamic of communication and relationship with directors during the performance of her role. Her CV is attached as Annex IV.

Following this analysis, the Board submits to the General Meeting of Shareholders a report justifying the following proposals made by the Appointments and Remuneration Commission:

- To re-elect as director for the statutory term of 3 years, with the status of independent director and at the proposal of the Appointments, Remuneration and Corporate Governance Commission: Ms Irene Hernandez Alvarez.

- To appoint as director for the statutory term of 3 years, with the status of independent director and at the proposal of the Appointments, Remuneration and Corporate Governance Commission: Ms Carmen Aquerreta Ferraz.

- To appoint as director for the statutory term of 3 years, with the status of independent director and at the proposal of the Appointments, Remuneration and Corporate Governance Commission: Ms Rosalía Gil-Albarellos Marcos.

5. COMPOSITION AND DIVERSITY OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

5.1. Size and composition of the board of directors

As a consequence of the above, in the event that the General Meeting approves the proposed decisions on appointments and re-elections, the Company's board of directors will be composed of 13 members, namely 1 executive director and 12 external directors, 5 of whom are independent. Independent directors thus represent 38% of the board, i.e. more than one third, in line with the Good Governance Code recommendation for mid-cap companies. In addition, the board will include 5 women, representing 38% of the total members.

As regards the board's pool of experience and expertise, the Commission considers that with the composition resulting from these proposals, the board members as a whole bring the appropriate knowledge, skills, qualifications, diversity and experience to the Company.

5.2. Composition of the committees

With regard to the composition of the Commissions at the proposal of the Appointments and Remuneration Commission and subject to the approval by the general meeting of the proposals for appointment and re-election analysed, the board of directors has adopted the following resolutions, effective from the date of the aforementioned general meeting:

- The appointment of Ms Carmen Aquerreta Ferraz as a member of the Audit Committee, replacing Ms Isabel Tocino Biscarolasaga.

- The appointment of Mr Javier Arregui Abendivar as a member of the Audit Committee, replacing Mr Oscar Arregui Abendivar.

- The appointment of Ms María Paz Robina Rosat as chairwoman of the Appointments and Remuneration Commission, replacing Ms Amaia Gorostiza Tellería.

The appointment of Mr Javier Arregui Abendivar as a member of the Appointments and Remuneration Commission, replacing Mr Javier Arregui Abendivar.

- The appointment of Ms Rosalía Gil-Albarellos Marcos as a member of the Appointments and Remuneration Commission, replacing Ms Isabel Tocino Biscarolasaga.
- The appointment of Irene Hernández Álvarez as a member of the Appointments and Remuneration Commission, replacing Amaia Gorostiza Tellería.
- The appointment of Mr Ángel Agudo Valenciano as a member of the Sustainability Commission, replacing Mr Victor Urrutia Vallejo.
- The appointment of Ms Rosalía Gil-Albarellos Marcos as a member of the Sustainability Commission, replacing Ms Amaia Gorostiza Tellería.
- The appointment of Ms María Paz Robina Rosat as a member of the Sustainability Commission, replacing Mr José Guillermo Zubía Guinea.

Therefore, if the proposals for the appointment and re-election of directors submitted at the meeting are approved, the composition of the board committees as of that date would be as follows:

EXECUTIVE Commission

Name	Position	Type of Director
Mr Ignacio de Colmenares Brunet	Chairman	Executive
Mr Gorka Arregui Abendivar	Member	Proprietary
Mr José Guillermo Zubía Guinea	Member	Other external members
Mr Fernando Abril-Martorell Hernández	Member	Other external members
Mr José Ignacio Comenge Sánchez-Real	Member	Proprietary
Mr Oscar Arregui Abendivar	Member	Proprietary
Ms Irene Hernández Álvarez	Member	Independent
Mr José Antonio Escalona de Molina	Secretary	Non-member

AUDIT COMMITTEE

Name	Position	Type of Director
Ms Irene Hernández Álvarez	Chairwoman	Independent
Ms Rosa María García Piñeiro	Member	Independent
Ms Carmen Aquerreta Ferraz	Member	Independent
Mr Javier Arregui Abendivar	Member	Proprietary
Mr José Guillermo Zubía Guinea	Member	Other external members
Mr José Antonio Escalona de Molina	Secretary	Non-member

APPOINTMENTS AND REMUNERATION COMMISSION

Name	Position	Type of Director
Ms Maria de la Paz Robina Rosat	Chairwoman	Independent
Ms Irene Hernández Álvarez	Member	Independent
Mr Fernando Abril-Martorell Hernández	Member	Other external members
Mr Gorka Arregui Abendivar	Member	Proprietary
Ms Rosalía Gil-Albarellos Marcos	Member	Independent
Mr José Antonio Escalona de Molina	Secretary	Non-member

SUSTAINABILITY COMMISSION

Name	Position	Type of Director
Ms Rosa María García Piñeiro	Chairwoman	Independent
Ms Maria de la Paz Robina Rosat	Member	Independent
Mr Javier Arregui Abendivar	Member	Proprietary
Mr Ángel Agudo Valenciano	Member	Proprietary

Ms Rosalía Gil-Albarellos Marcos	Member	Independent
Mr José Antonio Escalona de Molina	Secretary	Non-member

6. APPROVED PROPOSALS

The complete text of the approved proposals on the re-election and appointment of Directors, which will be subject to separate voting at the General Meeting, is as follows:

“Fifth. The re-election and nomination of members to the Board of Directors.

Fifth A: Re-election of Ms Irene Hernández Álvarez as an Independent Director.

Motion:

To re-elect, at the proposal of the Appointments and Remuneration Commission, as a member of the Company's Board of Directors, Ms Irene Hernández Álvarez, in the capacity of Independent Director for the statutory period of three years from the approval of this agreement.

Fifth B: Re-election of Mr Fernando Abril-Martorell as another External Director.

To re-elect, at the proposal of the Board of Directors, as a member of the Company's Board of Directors, Mr Fernando Abril-Martorell Hernández, in the capacity of another external Director for the statutory period of three years from the approval of this resolution.

Fifth C: Re-election of Mr José Guillermo Zubía as another external director.

To re-elect, at the proposal of the Board of Directors, as a member of the Company's Board of Directors, Mr José Guillermo Zubía, in the capacity of another external Director for the statutory period of three years from the approval of this resolution.

Fifth D: Appointment of Mr Ángel Agudo Valenciano as proprietary director.

Motion:

To appoint, at the proposal of the Board of Directors, as a member of the Company's Board of Directors, Mr Ángel Agudo Valenciano, in the capacity of Proprietary Director for the statutory period of three years from the approval of this agreement.

Fifth E: Appointment of Ms Carmen Aquerreta Ferraz as independent director.

Motion:

To nominate, at the proposal of the Appointments and Remuneration Commission, as a member of the Company's Board of Directors, Ms Carmen Aquerreta Ferraz, in the capacity of Independent Director for the statutory period of three years from the approval of this resolution.

Fifth F: Appointment of Ms Rosalía Gil-Albarellos Marcos as independent director.

Motion:

To appoint, at the proposal of the Appointments and Remuneration Commission, as a member of the Company's Board of Directors, Ms Rosalía Gil- Albarellos Marcos, in the capacity of Independent Director for the statutory period of three years from the approval of this agreement.

As a result of the appointments and re-elections provided for in this resolution, the number of directors is set at thirteen.

Annex I

CV of Mr José Guillermo Zubía Guinea

He has a Law degree from the Complutense University of Madrid. He studied Economics at this University and Taxation at the Centre for Economic and Tax Studies. He has been an owner, consultant and advisor of several companies. He was secretary general of the Alavés Business Union (SEA) from 1979 to 1995. He was secretary general of the Confederation of Basque Entrepreneurs (Confebask) from October 1995 to March 2011.

He has been a member of the Board of Directors and Governing Bodies of the main Socio-Economic Institutions of País Vasco: among others, the Society for Promotion and Industrial Reconversion, the Economic and Social Councils and Labour Relations. He has been a member of the Economic and Social Council of Spain and its Economic and Labour Relations Commissions. He has also been a member of the Permanent Commission of the Andalusian School of Economics and has participated in various courses and conferences at the Menéndez Pelayo International University, the summer courses at El Escorial, and the summer university at the País Vasco University.

Annex II

Curriculum vitae of Mr Fernando Abril-Martorell Hernández

He holds a degree in Law and Business Administration from ICADE (Madrid). He has worked in various companies and financial entities. He was Chairman of Indra from January 2015 to May 2021. Between 2011 and 2014, he was Managing Director of Grupo Prisa. Between 2005 and 2011, he was CEO of Credit Suisse in Spain and Portugal. He was Chief Executive Officer of the Telefónica Group from 2000 to 2003 and previously Chief Financial Officer from 1997 to 2000. He began his career at JP Morgan where he spent 10 years between 1987 and 1997 in the Madrid, New York, and London offices. He is currently a director of the Norwegian company Adevinta, S.A.

Annex III

CV of Mr Ángel Agudo Valenciano

He holds a degree in Industrial Engineering from ICAI, specialising in Mechanical Engineering (Madrid), and an MBA from IMD (Lausanne, Switzerland).

He is currently CEO of the family office Asúa Inversiones. He started his professional career at LVMH in Madrid and later worked at the fund management company Fidelity Investments. For 18 years he has managed global and US equity funds for institutional clients in Europe and Asia.

Annex IV

CV of Ms Irene Hernández Álvarez

Irene Hernández Álvarez is an independent director of Ence, Coordinating Director and member of its Executive Commission and Chairwoman of the Audit Committee. The date of her first appointment as director is 28/03/2019. She has a degree in Economics and Business Administration from ICADE. She has been awarded the Extraordinary End-of-Degree Award and Second National Prize in Economics. She began her professional career at JP Morgan in Madrid and New York, between 1987 and 2001, where she was responsible for major fixed income and equity operations in national and international markets. She has had an outstanding career in financial advisory services for family businesses. She is a founding partner of Impulsa Capital, a company dedicated to corporate financial advice in the field of private equity/risk capital, and a Registered Advisor to BME Growth and Listing Sponsor of Euronext. She is currently an Independent Director of Saint Croix Holding Immobilier SOCIMI, S.A. and an Independent Director of Elecnor, S.A.

Annex V

CV of Ms Carmen Aquerreta Ferraz

She holds a degree in Economics and Business Administration and in Law from the Pontificia Comillas University, and a Master's degree in International Relations from Johns Hopkins University.

She has extensive professional experience in the consultancy sector. In her professional career she has worked at important companies such as Andersen, in Madrid, where she held the position of global director of strategy and planning (tax and legal), BCG - Boston Consulting Group and Mitchell Madison Group where she managed the global diversification strategy for consumer goods as well as the commercial and risk strategy for the national financial entity.

She was a partner at Deloitte UK and Deloitte North West Europe (2006-2019), where she led the intangibles and intellectual property practice, the global relationship with Vodafone Plc and numerous major projects for BAE Systems and Thales among others. She has also worked as a lawyer at the World Bank (Washington) where she developed the KPIs and strategy for judicial reform in the Latin American division.

She is an independent director of the Andbank Group, a member of its Audit Commission and Chairwoman of its Appointments and Remuneration Commission. She is also an independent director of Indra Sistemas, S.A. and a member of its Sustainability Commission and Audit Commission. She is a member of the Directors-Managers Institute and the Business Circle.

Annex VI

CV of Ms Rosalia Gil-Albarellos Marcos

She holds a degree in Forestry Engineering from the Polytechnic University of Madrid and a Master's Degree in Environment and Land Management from the Polytechnic University of Valencia. She has also completed a General Management Programme (PDG) at IESE Business School.

From 1987 to 1992 she worked as an environmental project technician in several engineering companies such as Inypsa, Desherca and Espacios Naturales. In 1992, she joined Prointec (later acquired by the Indra Group) and worked there until 2021. She held various managerial responsibilities there, including chief operations officer and director of environment, water and ports. Since July 2021, she has been the director of the environment, water engineering and sustainability area of Proes (Amper Group). During her time as chief operations officer of Prointec (2011-2014) she led, as head of production, a business with a turnover of around 60 million euros. She was in charge of teams of some 800 people in Spain and 400 abroad. She has been a member of the board of directors of Tecniberia (engineering employers' association) and chairwoman of its environment committee from 2015 to 2021, where she promoted the creation of the "Women in Engineering" Committee.

She is currently Director of the Environment, Water Engineering and Sustainability Area of PROES (AMPER Group).