

REPORT ON AUDIT COMMITTEE OPERATIONS FOR FINANCIAL YEAR 2021

1. Introduction

ENCE ENERGÍA Y CELULOSA, S.A. (hereinafter, the "**Company**") prepares this Report on Audit Committee Operations (hereinafter, the "**Report**") in accordance with the recommendation contained in Technical Guide 3/2017 on Audit Commissions of Public Interest Entities, published by the National Securities Market Commission (hereinafter, the "**CNMV**").

In accordance with the provisions of Article 19 bis. 2 of the Regulations of the Company's Board of Directors and recommendation 6 of the Code of Good Governance of Listed Companies, this Report is published on the Company's website (www.ence.es) sufficiently in advance of the Ordinary Shareholders' Meeting.

2. Audit Committee Regulations

The regulation of the composition, operation, and powers of the Company's Audit Committee is contained in the Articles of Association (Article 51) and in the Company's Board of Directors Regulations (Article 16). Both internal rules take into account the provisions of the Spanish Companies Act ("**LSC**") and, as a supplement and provided that they are compatible, the provisions established for the operation of the Board of Directors in the Board of Directors Regulations.

In all cases, the Company's internal regulations governing its Audit Committee comply with the relevant provisions in the LSC and the good governance recommendations for listed companies. In this respect, Law 5/2021 of 12 April, amending the consolidated text of the LSC and other financial regulations, with regard to the promotion of long-term shareholder involvement in listed companies (hereinafter "Law 5/2021") has led the Company to propose to the Board of Directors the amendment of the Board Regulations in order, among other improvements, to adapt them to this revision. This adaptation includes the updating of some of the provisions relating to the functions of the Audit Committee, which will be referred to below.

The amendment of the Regulations of the Board of Directors will be proposed to the Board for approval at its meeting on 28 February 2022 and, if approved, will be notified to the CNMV and registered in the Madrid Commercial Registry. The effectiveness of the regulations has been made conditional on the approval of the Articles of Association by the general meeting of shareholders.

The Articles of Association and the current Regulations of the Board of Directors are registered in the Commercial Registry and have been notified to the CNMV. Both are available on the Company's website www.ence.es.

3. Composition of the Audit Committee

In accordance with the requirements of the applicable provisions, the Audit Committee is made up exclusively of non-executive Directors and a majority of independent Directors. The Audit Committee must be chaired by an independent Director.

At the end of the financial year, the composition of the Audit Committee and the category and seniority of its members was as follows:

Name	Position	Category	Seniority in the Committee
Ms Irene Hernández Álvarez	Chairwoman	Independent	Since 28/03/2019 (Chairwoman since 31/03/2020)
Mr José Guillermo Zubía Guinea	Secretary	Other external member	Since 25/06/2008
Ms Isabel Tocino Biscarolasaga	Member	Independent	Since 30/06/2014
Ms Rosa María García Piñeiro	Member	Independent	Since 28/03/2019
Mr Oscar Arregui Abendivar	Member	Proprietary	Since 26/03/2021

The Committee's members were appointed by the Board of Directors at the proposal of the Appointments and Remuneration Commission, in accordance with Article 17 (g) of the Board of Directors Regulations.

In compliance with Article 529 quaterdecies of the LSC, Article 51 of the Articles of Association, and Article 16 of the Board of Directors Regulations, the members of the Audit Committee, especially its Chair, have all been appointed in consideration of their knowledge and experience in accounting, auditing, and risk management, both financial and non-financial. They are also familiar with the pulp and renewable energy production sector and the forestry sector in which the Company operates.

The composition of the Audit Committee and the *Curriculum Vitae* of its members are published on the Company's web page and can be accessed through the following links:

<https://ence.es/inversores/gobierno-corporativo/comisiones/>

<https://ence.es/inversores/gobierno-corporativo/consejo-de-administracion/>

4. Responsibilities of the Audit Committee

The functions and responsibilities of the Audit Committee are regulated in Article 16.2 of the Regulations of the Board of Directors.

As mentioned above, it is planned to propose to the Board the amendment of the Regulations of the Board of Directors and, specifically, it is proposed to amend article 16.17) in order to give this point a wording adapted to the provisions of the LSC following the amendment made by Law 5/21. Article 16.17) currently establishes that it is the Committee's responsibility to report on transactions with directors and significant shareholders or other related party transactions. In the proposed amendment, this point will provide that it is the Committee's duty to report on

related-party transactions to be approved by the General Meeting of Shareholders or the Board of Directors and to supervise the internal procedure established by the Company for those transactions whose approval has been delegated, where appropriate, to the Board of Directors.

Among others, the Audit Committee is entrusted with the following functions:

- Report to the Annual General Meeting of Shareholders through the Chair of the Committee on any issues arising within its area of competence;
- Propose to the Board of Directors, for submission to the Annual General Meeting of Shareholders, the appointment, contracting conditions, scope of their commission, and their re-election and, where appropriate, the removal or non-renewal of the external auditors or audit firms, encouraging the group's auditor to assume responsibility for the audits of the companies comprising the group;
- Ensure the independence and efficiency of the internal audit's functions, propose the selection, appointment and removal of the person responsible for this service, propose a budget, review the information that this system periodically generates about its activities, check that senior management has taken note of the reports' conclusions and recommendations, and approve its guidance and work plans, ensuring that its activity is concerned mainly with the risks that are relevant to the Company (including reputational risks);
- Regularly obtain information from the internal audit on the audit plan and its execution and supervise the Company's internal audit based on the annual internal audit plan presented by the person responsible for this area every financial year, on the information supplied about possible incidents and limitations to the scope of the audit that have arisen during that have arisen during its development, and on the results and follow-up of its recommendations and the activity report submitted by the head of the internal audit to the Committee for consideration at the end of each financial year;
- Monitor and evaluate the process of preparing financial and non-financial information and their integrity;
- Supervise compliance with the Company's internal codes of conduct and make the necessary proposals for their improvement;
- Establish appropriate relations with the Account Auditors in order to receive information on matters that may jeopardize their independence (in particular, so that the auditor's remuneration for its work does not compromise its quality or independence), for consideration by the Committee and any other matters related to the process of conducting the accounts audit, as well as any other communications established in accounts auditing law and in technical audit rules;
- In any event, each year the Audit Committee shall receive from the account auditors or audit companies the written confirmation of their independence from the company or

companies related to it directly or indirectly, as well as information on additional services of any kind provided and the corresponding fees received from these companies by the aforementioned account auditors or audit companies, or by the persons or entities related to them in accordance with the provisions in the Accounts Auditing Act;

- Likewise, the external auditor must hold one meeting a year with the Board of Directors in full session to report on the work performed and the evolution of the Company's accounting and risk situation.
- Annually issue, prior to the issuance of the audit report, a report expressing an opinion on the independence of the auditors or audit firms; this report shall be published on the Company's website and must, in any case, express an opinion on the provision of the additional services referred to in the preceding section, considered individually and as a whole, other than the statutory audit, the limits on the concentration of the auditor's business and, in general, in relation to the rule on independence or the regulatory audit regulations;
- Ensure that the company notifies the CNMV of a change of auditor and enclose a statement with the notice of any disagreements with the outgoing auditor and, if any, their content, and, in the event of the auditor having resigned, a review of the circumstances that gave rise to the resignation;
- Ensure that the annual accounts that the Board of Directors submits to the Annual General Meeting of Shareholders are drawn up in accordance with accounting regulations; monitor compliance with legal requirements, the correct application of generally accepted accounting principles, and the proper delimitation of the scope of consolidation, as well as the correct application of accounting criteria, reporting on proposals for the modification of accounting principles and criteria suggested by management;
- Serve as a communication channel between the Board of Directors and the auditors, evaluate the results of each audit and the responses of the management team to its recommendations, and mediate in the event of discrepancies between them in relation to the principles and criteria applicable in the preparation of the financial statements;
- Supervise and assess the effectiveness of the internal control and financial and non-financial risk management systems relating to the Company and, where appropriate, the group, including operational, technological, legal, social, environmental, climate, political, reputational, and corruption-related risks; and discuss with the auditors or audit firms any significant weaknesses in the internal control system detected during the course of the audit;
- Monitor in general that the established internal control policies and systems are effectively implemented in practice;

- Supervise compliance with the audit contract, ensuring that the opinion on the annual accounts and the main contents of the audit report are drafted in a clear and precise manner;
- Provide advance notice about the Board's adoption of the corresponding agreement regarding the prospectus and the periodical financial information that the Company must provide to markets and supervisory bodies;
- Establish and supervise a mechanism that allows employees and other parties related to the Company, such as directors, shareholders, suppliers, contractors, or subcontractors, to report potentially significant irregularities, including financial, accounting, or any other irregularities related to the Company that they notice within the Company or its group; This mechanism must guarantee confidentiality and, in any case, establish the possibility for communications to be made anonymously, respecting the rights of the accuser and the accused;
- Report on transactions that involve or may involve conflicts of interest;
- Report to the Board of Directors, prior to the adoption by the latter of the corresponding decisions, on all matters set out by Law, the Articles of Association, and these Regulations and, in particular, in relation to the creation or acquisition of shareholdings in special purpose vehicles or entities domiciled in countries or territories considered tax havens, as well as any other transactions or operations of a similar nature which, due to their complexity, could undermine the transparency of the group;
- Evaluate, at least once per year, its performance and the quality of its work;
- Analyse and report in advance to the Board of Directors on the structural and corporate modifications that the Company plans to carry out, their economic conditions and their accounting impact, and, in particular, if appropriate, on the proposed exchange ratio;
- Supervise the communication and relationship strategy with shareholders and investors, supervise the application of the general policy regarding the communication of economic-financial, non-financial, and corporate information, and monitor the way in which the entity communicates and interacts with small and medium-sized shareholders.

5. Meetings held and tasks performed during financial year 2021

In financial year 2021, the Audit Committee held 8 meetings, attended by 100% of its members, including those present and duly represented, as well as the Secretary and Vice-Secretary of the Board of Directors.

The representatives of the external auditor attended the meetings held on 22 February, 26 April, 26 July and 27 October 25 in order to report on aspects related to their independence, the periodic financial reports, half-year results, and the Annual Accounts, as detailed in the following section on "Significant activities during 2021".

The Company's external tax advisors attended the meetings of the Committee on 22 February and 26 July 2021 to report on matters relating to the Company's tax situation referred to in the section "Significant activities during 2021" below.

The CEO, the Chief Financial Officer, financial management personnel, the Internal Audit Director, the Secretary General, and the General Managers General Manager for Cellulose and Independent Energy Plant Operations, attended the meetings and covered the agenda items that required action to present matters within their area of competence.

6. Significant activities carried out in 2021

In 2021, the Audit Committee carried out the significant activities described below:

(i) Review of Annual Accounts and Quarterly, Half-Yearly, and Annual Financial Information

Throughout 2021, the Committee reviewed and analysed this information prior its approval by the Board of Directors and reported it to the regulator and the markets, with collaboration from the Financial Management Department for this analysis.

In particular, the Committee has reviewed and reported favourably on:

- The annual accounts and management report of Ence Energía y Celulosa, S.A. and its consolidated group for financial year 2020, including the Annual Sustainability Report for 2020, and has proposed to the Board of Directors the preparation of these documents.
- Quarterly financial information for Q4 2020 and financial year 2021, as well as consolidated interim summarised financial statements for the six-month period ended on 30 June 2021 and the interim consolidated management report.

The publication of half-yearly results was postponed for the 2021 financial year to 28 September in order to have more time to analyse in detail the accounting impacts of the rulings of the National High Court notified on 16 July declaring the nullity of the extension of the concession where the Pontevedra biofactory is located and which will be referred to below. For this reason, the external auditor was also asked to carry out a limited review of the half-yearly accounts

- The financial reports to be sent to the CNMV and the corresponding presentations to be reported to investors after publication of the financial information mentioned above.

(ii) Other financial/accounting information

Among other issues, and as mentioned throughout the report, the Committee dedicated several meetings to the detailed analysis of the impacts of the rulings of the National Court of July and September 2021 declaring the nullity of the extension of the concession on which the Pontevedra biofactory is based, as well as the provisions to be adopted for these items.

At its July meeting, the Committee reported favourably on the Board of Directors' approval of the publication of "Other Relevant Information" with an preview of the main operating figures for the second quarter, as well as the delay of the approval of the quarterly results until September, in order to be able to recognise the extraordinary loss that could arise from the rulings of the National Court for the closure of the biofactory and that a limited review of these interim financial statements be carried out by the external auditor.

(iii) Relations with the external auditor

With regard to the external auditor:

- At the beginning of the financial year, the Committee agreed to propose the nomination of KPMG for three years as the Company's auditor.
- The external auditor appeared before the Committee to report on the main aspects of the audit:
 - its audit work on the 2021 annual accounts and its report on the functioning of the internal control over financial reporting (ICFR) system, as well as the additional report to the Audit Committee;
 - the work carried out in relation to the quarterly financial information and the consolidated interim financial statements for the six-month period ended on 30 June 2021 and interim consolidated management report; on this point, as mentioned above, due to the impacts derived from the rulings of the National Court, the external auditor carried out a limited review of the half-yearly accounts, issuing a favourable opinion without any qualifications.
- With regard to the results of the audit presented by the external auditors for the 2020 financial year, at the Committee meeting of 22 February, the external auditors confirmed to the Committee that both the accounting treatments and the information contained in the annual accounts are adequate, and therefore their opinion is given without qualifications and without limitations of any kind.

(iv) Internal Audit

The Committee has supervised the actions carried out by the Internal Audit Department and, specifically, has been informed of and approved:

- The annual Internal Audit report corresponding to financial year 2020, which includes the main actions carried out by the Internal Audit team and, in particular, the audit work carried out, compliance with the Internal Audit Plan, and the monitoring of the proposed actions.
- The annual Internal Audit plan for financial year 2021, which describes in detail the actions planned by the department during the year, as well as its resources and budget.
- The setting of objectives for 2021 for the Internal Auditing Director and the evaluation of the degree of compliance with the objectives set for 2020 in order to determine the short-term variable remuneration to be paid, if any.

The Committee also monitored the progress of the annual Internal Audit Plan 2021 on a quarterly basis.

(v) Tax Information

The Committee has learned of the following:

- Report by the Company's external advisors on the closing of corporate income tax for the 2020 financial year.
- Quarterly report by the external advisors on the first and second instalments of the 2021 Corporate Income Tax, new laws and regulations of a fiscal nature, and the external advisors' opinion on the Company's tax situation.

(vi) Information on relevant litigation cases

The Committee was briefed by the Secretary General on the status of the main administrative, contentious-administrative, fiscal, civil and criminal proceedings.

As mentioned above, the National Court has issued three rulings, two of them on 15 July and the third on 21 September 2021, in which the appeals lodged by Greenpeace Spain, the Pontevedra City Council and the Asociación Por la Defensa de la Ría (APDR) have been upheld and the Ministerial Resolution of 20 January 2016 to extend the concession has been annulled. On 28 September and 29 November 2021, the Company filed cassation appeals with the Supreme Court against the judgments handed down.

The content of the rulings, their impact, as well as the appeals filed have been duly discussed and reported at the meetings of the Audit Committee with the intervention of the external lawyer representing the company in the different procedures related to the concession.

(vii) Corporate Governance

The Committee has carried out the following actions in this area:

- Annual evaluation of the Committee for the 2020 financial year, which was carried out with the assistance of an independent consultant, Deloitte, based on the report prepared by Deloitte on the basis of the individual and anonymous completion by each director of the self-assessment form sent by the consultant and the interviews held with the consultant by the directors. The results of the evaluation are detailed in point 7 of this Report.
- Approval and submission to the Board of Directors of the Committee's Operating Report for financial year 2020.
- Favourable report, within the scope of its competencies, on the content of sections D, E, and F of the draft of the Annual Corporate Governance Report proposed to the Board for approval.
- Favourable report on the approval by the Board of the Related Transactions Policy.

(viii) Compliance

The Committee has carried out the following actions in this area:

- Approval of the annual report corresponding to financial year 2020 of the Compliance Committee, which includes the different activities carried out by said Committee in said financial year, including, among others, the review of the audits carried out in compliance matters; the review of the action plans derived from the audits; monitoring of the security measures implemented for the prevention of COVID 19 and updating of internal protocols; review of the complaints received and monitoring thereof; updating and review of the Criminal Risk Map; development and modification of internal regulations; training activities; and monitoring audits for the renewal of the UNE 19601:2017 certification on Criminal Compliance issued by AENOR.
- Quarterly monitoring during financial year 2021 of the Compliance Committee's activity with monitoring, among others, of complaints received in relation to potential breaches of the Code of Conduct, action plans for safety and environmental audits, and other relevant issues. It is worth noting the performance of the Compliance Committee in the evaluation of the facts related to the improper external disclosure of an extract from the internal video of the 2020 results to Company employees. The Committee launched an internal investigation and carried out various actions related to the facts described, including the follow-up of the complaints made, which were not admitted for processing by Court 2 of Pontevedra and did give rise to the filing of informative proceedings by the Provincial Prosecutor's Office of Pontevedra, which were finally closed by Decree of 26 April 2021.

- Review and modification of the crime prevention protocol: criminal compliance policy, compliance committee procedure and whistleblowing channel procedure. 7 complaints were reported through this channel during financial year 2021, which were reported on a quarterly basis.

(ix) Sustainability

The Committee has carried out the following actions related to this area:

- It has been informed of the actions of the Sustainability Commission in relation to the non-financial information statement (Sustainability Report 2020) which was reported favourably by this Commission, having been verified by the firm KPMG without any qualification.
- It has agreed to report favourably on the Annual Sustainability Report for 2020, and to submit it to the Board of Directors for approval.

(x) Risk Management and Control

The Committee approved the updating of the Company's risk map for financial year 2021, which is reviewed every six months, taking into account in detail the new risks, the materialised risks, and risks that have been eliminated, as well as risk tolerance levels. It also reported favourably and submitted to the Board the information related to the overall risk map and criminal risk map for confirmation of the approval decision.

The Committee has also monitored the different risks according to their classification, with special emphasis on those considered most critical according to the matrix used for this purpose, and has incorporated new applicable offences and the assessment of potential risk based on the activities carried out by Ence.

In addition, the Committee has followed up on the action plans defined for the mitigation of risks with the identification of those responsible for their implementation.

7. Evaluation of the evolution and performance of the Audit Committee

In compliance with Article 529 nonies, Paragraph 1 of the LSC and Article 19 bis of the Board of Directors Regulations, at its meeting held on 24 February 2021, the annual evaluation of the Committee corresponding to financial year 2020 was carried out.

The evaluation was carried out with the assistance of an independent consultant, Deloitte, using as a reference the report prepared by Deloitte on the basis of the individual and anonymous completion by each director of the self-assessment form sent by the consultant and the interviews held with the consultant by the directors.

Accordingly, the Committee reviewed the results of the evaluation in terms of the Deloitte report, analysing the specific issues assessed and the strengths indicated, and highlighted the good results obtained.

The Committee, after reviewing the results and conclusions set out in the report, considered that the functions corresponding to it, both at a general level and individually by the Chairperson and each of its members, had been carried out satisfactorily, and therefore agreed to submit it to the Board of Directors, which took it on board as its own. An action plan for the Audit Committee was also reviewed and approved, which included some non-material improvement opportunities proposed for the 2021 committee action plan.

8. Information on the Audit Committee's opinion on the Statutory Auditor's independence

The Committee, in accordance with Article 529 quaterdecies section 4 (e) of the LSC, received the external auditor's statement of independence in relation to the Company or entities related to it, as well as detailed and individualised information on the additional services rendered of any kind and the corresponding fees received.

Once the statement of independence was received, the Committee prepared the report on the independence of the accounts auditor for financial year 2021, which was published on the Company's website at the time the Annual General Meeting of Shareholders was convened, in compliance with Article 16.2 (7) of the Board of Directors Regulations.

This report, in accordance with Article 529 quaterdecies section 4 (f) of the LSC, includes a justified assessment of additional services of any kind, considered individually or as a whole, other than the statutory audit, provided to the Company or entities related to it by the external auditor or by persons or entities related to it.

Specifically, according to the data provided by the auditor, all professional services rendered during financial year 2021 to the Company and entities in its Group amounted to a total of 237,000 euros, of which 2,500 euros correspond to other services related to the audit and the issuance of the report on specific procedures referring to the ICFR.

In the aforementioned report, the Committee considered that, taking into account the applicable regulations, the external auditor carried out its work independently during financial year 2021.

9. Date of preparation

The Audit Committee prepared this Report on 24 February 2022 and made it available to the Board of Directors for consideration in the annual self-assessment of the functioning of the Board of Directors and its Committees. If appropriate, the Board of Directors must approve it.

Madrid, 24 February 2022