

**OPERATING REPORT OF THE APPOINTMENTS AND REMUNERATION COMMISSION FOR  
FINANCIAL YEAR 2021**

**1. Introduction**

ENCE ENERGÍA Y CELULOSA, S.A. (hereinafter, "Ence" or the "Company") has prepared this Operating Report of the Appointments and Remuneration Commission (hereinafter, the "Report") in accordance with the provisions in Technical Guide 1/2019 on appointments and remuneration commissions, published by the Spanish National Securities Market Commission (hereinafter, the "CNMV"), in order to allow shareholders and other interested parties to understand the activities carried out by the Company's Appointments and Remuneration Commission (hereinafter, the "CNR") during the financial year.

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

**2. CNR Regulation**

The regulation of the composition, operation, and powers of the CNR is contained in the Articles of Association (Article 51 bis) and in the Company's Board of Directors Regulations (Article 17). In all cases, the Company's internal regulations that govern the CNR comply with the relevant provisions of the Capital Companies Act ("LSC") and the Spanish Good Governance Code of Listed Companies.

Likewise, the Company has established mechanisms to ascertain the recommendations of stakeholders and voting advisors ("proxy advisors") and assess their incorporation as best practices with respect to the operation of the Commission and the matters for which it is responsible.

**3. Composition of the CNR**

The CNR is composed exclusively of non-executive directors and a majority of independent advisors, with one of the latter acting as Chair.

At the end of financial year 2021, the composition of the CNR and the seniority of its members was as follows:

Name	Position	Category	Seniority with the CNR
<b>Ms Amaia Gorostiza</b>	Chairman	Independent	28/03/2019
<b>Ms Maria Paz Robina</b>	Member	Independent	26/03/2021
<b>Ms Isabel Tocino</b>	Member	Independent	28/03/2019
<b>Mr Fernando Abril-Martorell</b>	Member	Other external member	30/03/2007
<b>Mr Javier Arregui</b>	Member	Proprietary	26/03/2021

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

The composition of the Appointments and Remuneration Commission and the CVs 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/>

The Board has valued the proven track record of the members of the CNR in skills such as people management, identification and retention of talent, selection and management of teams, communication with collaborators, and the establishment of remuneration components, as well as in other areas that are within the competence of the CNR such as good corporate governance.

#### **4. Functions of the CNR**

The functions of the CNR are governed by Article 17 of the Board of Directors Regulations.

Among other functions, the CNR is entrusted with the following responsibilities:

- Assess the skills, knowledge, and experience needed on the Board of Directors.
- Examine the Company's compliance with corporate governance rules and its code of conduct and make the necessary proposals for improvement.
- Submit to the Board proposals for the re-election, removal, or appointment of Independent Directors, and report on proposals for the re-election, removal or appointment of the remaining Directors, so that the Board may proceed directly to appoint them (co-opting) or take them on board for submission to the Meeting's decision.
- Establish a representation objective for the under-represented gender on the Board, prepare guidelines on how to achieve this, and ensure that, when new vacancies are filled or new Board Members are appointed, the selection procedures do not suffer from implicit biases that may imply discrimination on the grounds of gender.
- Examine and organise, where appropriate together with the Coordinating Director, the succession of the Chair of the Board and the Chief Executive of the Company and, where appropriate, make proposals to the Board so that such succession takes place in an orderly and well-planned manner.
- Propose the members who should form part of each of the Committees to the Board.
- Report on the appointments and removal of Directors with greater responsibility in the Company that the Chief Executive may propose to the Board.
- Propose to the Board of Directors the system and amount of annual remuneration of the Directors and General Managers or those who carry out senior management functions under the direct authority of the Board, Executive Commissions, or Managing Directors.
- Propose to the Board of Directors the standard conditions for Executive Directors' contracts and their individual remuneration.
- Ensure compliance with the remuneration policy.

- Propose the periodic review of the remuneration programmes for the Directors and the executives determined by the Board of Directors.
- Verify the information regarding remuneration for Directors and senior officers, and ensure that their individual compensation is proportionate to the amounts paid to other Directors and senior officers in the Company.
- Propose measures for remuneration transparency and ensure compliance.
- Evaluate, at least once per year, its performance and the quality of its work.
- Report on the evaluation process of the company's Chair of the Board and CEO.
- Ensure that conflicts of interest do not undermine the independence of any external advice provided to the Commission.
- Supervise the communication strategy and the relationship with voting advisors.

#### **5. Meetings held and tasks performed during financial year 2021**

During financial year 2021, the CNR has held 6 meetings, with a personal attendance rate of 96% of its members, and 100% including members present and duly represented, as well as the secretary of the Board of Directors.

The attendance of non-members of the CNR at times was limited to the Chief Executive Officer and the Head of Human Resources to submit various proposals to the Commission relating to senior management.

The most significant tasks carried out by the CNR throughout 2021 are described below:

##### **(i) Variable remuneration for Senior Management**

The CNR reviewed and reported favourably on:

- The proposal to **meet the 2020 ordinary variable remuneration objectives of the Senior Management**, which included the achievement percentage of these targets and the resulting variable remuneration amounts for each of them.
- The proposal for setting the objectives for Senior Management, the degree of compliance with which determines the amount of variable remuneration for 2021.

The Commission also conducted preliminary monitoring of the degree of compliance with the objectives of the long-term incentive plan 2019-2023 for Cycle I, which runs from 2019 to 2021.

##### **(ii) Senior management assessment**

The members of the CNR reviewed the results of the evaluation of the members of the Management Committee, their skills matrix and individual competency sheets.

##### **(iii) Remuneration Report**

The CNR reviewed and reported favourably on the **2020 Annual Report on Directors' Remuneration**, which was submitted to a consultative vote of the shareholders at said General Meeting.

In addition, the CNR reviewed the information on remuneration contained in the Company's Annual Accounts for 2020 and in the Company's half-yearly financial reports, and approved it.

(iv) Equality and diversity

The CNR reviewed and approved the proposal for setting diversity objectives for senior management positions in coordination with the Sustainability Commission.

(v) Evaluation by the Board and the Commission

In accordance with principle no. 18 of the Good Governance Code of Listed Companies, **the annual evaluation of the Board of Directors and the CNR for the financial year 2020** was carried out by the CNR in February 2021 with the advice of an external consultant (Deloitte), who took as a reference the individual and anonymous completion by each director of the self-evaluation questionnaire on various aspects relating to the Board and its Commissions and the interviews held with said advisor by the directors.

After reviewing the results and drawing conclusions of the evaluation process, the CNR submitted the corresponding review report on both corporate governance bodies to the Board of Directors as indicated below.

(vi) Selection of directors

The Appointments and Remuneration Commission agreed **to approve the re-election** of Ms Rosa María García Piñeiro as independent director, the appointment of Mr Oscar Arregui Abendivar, Mr Javier Arregui Abendivar and Mr Gorka Arregui Abendivar as proprietary directors, and the appointment of Ms María de la Paz Robina Rosat as an independent director.

In all the cases mentioned in the previous section, the CNR analysed the suitability of their knowledge, skills and experience for the performance of the position in accordance with the Director Selection Policy and the specific needs of the Board of Directors at that time, also verifying that such policy has been complied with.

Likewise, in March, the CNR agreed to report favourably on the appointment of (i) Ms Irene Hernández Álvarez as independent director, (ii) Ms Rosa María García Piñeiro as chairwoman of the sustainability commission, and (iii) Ms Amaia Gorostiza Tellería as chairwoman of the appointments and remuneration commission.

(vii) Corporate Governance

In February 2021, the CNR reviewed the contents of the **Annual Corporate Governance Report for 2020** and the 2020 annual accounts within the scope of its responsibilities and agreed to report favourably on their approval by the Board of Directors.

In addition, during the year, the CNR has been periodically informed of the **main developments in corporate governance**, which in financial year 2021 lie mainly in the amendments introduced by Law 5/2021, of 12 April, amending the consolidated text of the Capital Companies Act, approved by Royal Legislative Decree 1/2010, of 2 July, and other financial regulations, with regard to the promotion of long-term shareholder involvement in listed companies, among which are: (i) the new regime of related-party transactions for listed companies, (ii) amendments in the area of directors' remuneration, specification and notable extension of the remuneration policy and new

model for the Annual Directors' Remuneration Report, (iii) new model for the Annual Corporate Governance Report (ACGR), which provides for the obligation to report information on directors' positions to other entities, whether listed or not, and information on any other remunerated activity they carry out, of whatever type, and (iv) regulation of proxy advisors.

The CNR **was also briefed on issues such as:**

- The main actions taken by the company in the area of corporate governance during the first half of 2020;
- the conclusions reached following meetings with proxy advisors and ESG analysts;
- the proposed 2021-2022 knowledge update of the members of the Board of Directors.

Finally, the CNR reviewed **the competency matrix** that identifies, on the one hand, the skills and knowledge present on the Board of Directors and, on the other hand, the competences that are considered necessary to face the Company's challenges in the medium- and long-term and that must be taken into account in future director selection processes.

(viii) Review of the mandatory content of the corporate website:

The CNR has carried out, in accordance with Circular 3/2015 of 23 June 2015 of the National Securities Market Commission on technical and legal specifications and information that the websites of listed public limited companies and savings banks that issue securities admitted to trading on official secondary securities markets must contain, a review of the mandatory content of the company's corporate Website in accordance with its obligations as a listed public limited company, informing the Board of Directors to this effect.

## **6. Evaluation of the Board of Directors and the CNR**

As indicated above, in February 2021, **the annual evaluation of the CNR and the Board of Directors for the 2020 financial year** was carried out with the advice of an external consultant (Deloitte), who took as a reference the individual and anonymous completion by each director of the self-evaluation form on various aspects relating to the Board and its Commissions and the interviews held with said advisor by the directors.

Deloitte's report on the outcome of this process showed that the evaluation of the Board and its commissions and key positions can be considered excellent.

The CNR, after reviewing the report results and conclusions, considered, notwithstanding the opinion of the Board of Directors in this regard, that the functions corresponding to these bodies, both legally and under the Articles of Association, had been satisfactorily performed both generally and individually by the Chairperson and all members, and therefore agreed to submit the corresponding evaluation reports to the Board of Directors, which assumed them as its own. An action plan for the Appointments and Remuneration Commission was also reviewed and approved, including some non-material improvement opportunities proposed for the 2021 committee action plan

## **7. Date the CNR report was prepared and date it was submitted to the Board of Directors**

The CNR prepared this Report on 22 February 2022 and provided it to the Board of Directors for consideration in the annual self-assessment of the functioning of the Board of Directors and its Commissions. If appropriate, the Board of Directors must approve it.

Madrid, 22 February 2022