



## **Policy on Related-Party Transactions**

*October 2021*

## 1. Introduction

The transposition of the European Directive on the promotion of long-term shareholder involvement in listed companies has led to changes, among others, to the Capital Companies Act (LSC). Among other matters, a new commercial regime has been established for the approval and publication of related-party transactions, governed by Chapter VII bis of Title XIV of Law 5/2021 of 12 April.

To establish the necessary measures to ensure the application of the above regulations in Ence Energía y Celulosa, S.A. ("**Ence**" or the "**Company**") and its group of companies (the "**ENCE Group**"), the Board of Directors of Ence has prepared this policy on related-party transactions (the "**Policy**").

## 2. Purpose

The purpose of this Policy is to specify the internal guidelines to be followed if the Company, or any of the companies in the ENCE Group, engages in transactions with Related Parties as defined below.

The provisions of this Policy shall be without prejudice to legal provisions in force at all times.

## 3. Definition of related parties and transactions

**Related-Party Transactions** are understood as any transactions carried out by the Company or its Group companies with the following **Related Parties**:

- (i) directors,
- (ii) shareholders holding 10% or more of the voting rights,
- (iii) shareholders represented on the Company's board of directors, or
- (iv) any other persons who are to be deemed related parties under international accounting standards, adopted in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards<sup>1</sup>.

As an **exception** to the above provisions, the following shall not be considered Related-Party Transactions:

- 1) Transactions carried out between the Company and its subsidiaries, directly or indirectly wholly-owned, without prejudice to the law, as indicated in section 6 of the Policy.

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<sup>1</sup> IFRS 24 of Commission Regulation (EC) No 1126/2008 of 3 November 2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council:

A party is deemed to be related to the entity if that party: (a) directly, or indirectly through one or more intermediaries: (i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries), (ii) has an interest in the entity that gives it significant influence over the entity, or (iii) has joint control over the entity; (b) is an associate (as defined in IAS 28 Investments in Associates) of the entity; (c) is a joint venture in which the entity is a venturer (see IAS 31 Interests in Joint Ventures); (d) is a member of the key management personnel of the entity or its parent; (e) is a close member of the family of any individual referred to in (a) or (d); (f) is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or (g) is a post-employment benefit plan.

2) Transactions carried out between the Company and its subsidiaries or affiliates, as long as no other party related to the Company has an interest in said subsidiaries or affiliates.

#### **4. Approval procedure for related-party transactions**

The Company's related-party transactions may be approved, as described below, by the General Meeting or by the Board of Directors, who may also delegate them under certain conditions:

✓ **Approval by the General Meeting:**

Ence's General Shareholders' Meeting is the competent body for the approval of Related-Party Transactions whose amount or value is equal to or exceeds 10% of total asset items according to the latest annual balance sheet approved by the Company.

When the general meeting is called to decide on a related-party transaction, the relevant shareholder shall not have the right to vote, except where the proposed resolution has been approved by the board of directors without the majority of independent directors voting against.

The approval of the Related-Party Transaction by the General Meeting shall be subject to a prior report of the Audit Committee. In its report, the Committee shall:

- (i) assess whether the transaction is fair and reasonable from the viewpoint of the Company and, if applicable, of the shareholders other than the related party, and
- (ii) give an account of the assumptions underlying the assessment and the methods used.

The directors concerned may not participate in the preparation of the report.

✓ **Approval by the Board of Directors:**

Ence's Board of Directors is the competent body to approve the remaining Related-Party Transactions not identified in the previous section.

The director concerned must abstain from participating in the deliberation and voting on the corresponding resolution pursuant to laws and regulations.

The approval of the Related-Party Transaction by the Board of Directors shall be subject to a prior report by the Audit Committee. In its report, the Committee shall:

- (i) assess whether the transaction is fair and reasonable from the viewpoint of the Company and, if applicable, of the shareholders other than the related party, and
- (ii) give an account of the assumptions underlying the assessment and the methods used.

The directors concerned may not participate in the preparation of the report.

✓ **Delegated approval:**

Notwithstanding the above, the Company's Board of Directors may delegate the approval of the following Related-Party Transactions to delegated bodies or the senior management:

- i) Transactions between companies forming part of the same group, which are carried out in the ordinary course of business and on an arm's length basis;

- ii) Any transactions that are agreed:
- ✓ under contracts whose standardised terms and conditions are applied en masse to a large number of customers,
  - ✓ at prices or rates generally established by whoever acts as supplier of the item or service in question, and
  - ✓ whose amount does not exceed 0.5% of the company's net turnover.

The delegated approval of these related-party transactions shall not require a prior report from the Audit Committee. The Board of Directors shall nevertheless establish an internal reporting and periodic audit procedure, which shall involve the Audit Committee and which shall verify the fairness and transparency of such transactions and, as applicable, compliance with the legal criteria applicable to the above exceptions.

The material alteration of the scope or price of a Related-Party Transaction previously approved by the relevant body in accordance with the above paragraphs, and the material modification of its duration or of any of the other essential conditions, shall require a new approval by the same body, unless the change in the Related-Party Transaction had already been taken into account at the time of its initial approval or these are mere acts of performance.

#### **5. Publication of information on related-party transactions**

Ence must reveal any related-party transactions carried out by the Company or its Group companies that reach or exceed certain thresholds on its corporate website and notify the CNMV no later than the time of the transaction. The thresholds laid down by law for such publication are as follows:

- (i) 5% of the total asset items
- (ii) 2.5% of the annual turnover

(Referred to below as the "**Announcement**")

Where competence to approve the related-party transaction lies with the General Meeting or the Board of Directors, the Announcement shall be accompanied by a report of the Audit Committee, which shall contain the following information at least:

- Information on the nature of the transaction and the related party relationship.
- The identity of the related party
- The date and value or amount of the consideration of the transaction
- Information necessary to assess whether the transaction is fair and reasonable from the viewpoint of the Company and of non-related party shareholders.

#### **6. Intra-group transactions subject to conflict of interest**

Intra-group transactions shall only suffer a conflict of interest where a significant shareholder in the subsidiary is a person with whom the Company could not conclude the transaction directly without applying the regime for related-party transactions. For the sake of clarity, there is no conflict of interest in transactions between wholly-owned subsidiaries of Ence Energía y Celulosa, S.A.

The applicable approval regime for intra-group transactions subject to a conflict of interest shall, pursuant to the Law, be as set out below:

- ✓ **Approval by the General Meeting:** when the business or transaction in question is, by its very nature, legally reserved to the competence of this body and, in any event, when the amount or value of the transaction or the amount of the package of transactions envisaged in a framework agreement or contract exceeds 10% of the total assets of the company.
- ✓ **Approval by the Board of Directors:** other transactions entered into by the Company with group companies subject to conflicts of interest. Approval may be given with the participation of directors<sup>2</sup> who are related to and represent the parent company, in which case if the decision or vote of such directors is decisive in terms of approval, it shall be incumbent on the company and, as applicable, the directors concerned by the conflict of interest, to prove (i) that the resolution is in accordance with the corporate interest if it is challenged and (ii) that they exercised due diligence and loyalty in the event that they are held liable.
- ✓ **Delegated approval:** The approval of intra-group transactions subject to a conflict of interest may be delegated by the management body to delegated bodies or to the senior management as long as these are transactions concluded in the ordinary course of business, including those resulting from the performance of a framework agreement or contract, and concluded on an arm's length basis. The management body shall establish an internal procedure for the regular assessment of compliance with these requirements.

## **7. Rules for calculating related-party transactions**

For the purposes of the provisions of the law and this Policy, the following rules shall be followed in calculating the value of related-party transactions:

- (i) Related-party transactions entered into with the same counterparty in the last 12 months shall be added to determine the total value.
- (ii) References to total assets or annual turnover shall be understood to refer to the values reflected in the latest consolidated annual accounts or, if there is no consolidation obligation, to the latest approved individual annual accounts of the listed company.

## **8. Approval, review and oversight of the Policy**

The Company's Board of Directors is responsible for the approval and future modifications of this Policy, at the proposal of the Audit Committee, which is responsible for supervising its application and compliance.

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<sup>2</sup> Notwithstanding the provisions of Articles 228 c) and 230 of the LSC.