

**DIRECTORS' REMUNERATION  
POLICY OF ENCE ENERGÍA Y  
CELULOSA, S.A.**



## **INTRODUCTION**

This document contains the Directors' Remuneration Policy of Ence Energía y Celulosa, S.A. (hereinafter, "ENCE" or the "Company") that will be submitted for approval at the 2023 General Shareholders' Meeting as a separate item on the agenda (hereinafter, the "Policy"), to replace the current Directors' Remuneration Policy approved by the General Shareholders' Meeting held on 31 March 2022. This Policy will enter into force on the date of its approval by the general shareholders' meeting and will remain in force until 31 December 2026, without prejudice to any adaptations or updates that may be made by the Board of Directors in accordance with the provisions thereof and any amendments that may be approved from time to time by the general shareholders' meeting of ENCE.

The Policy, together with the date and result of the vote, will be accessible on ENCE's website as soon as it is approved, and at least for as long as it remains in force.

The Policy contains the following sections:

- 1 PRINCIPLES OF THE REMUNERATION POLICY**
- 2 SUMMARY OF THE MAIN CHANGES**
- 3 EXECUTIVE DIRECTORS' REMUNERATION**
- 4 REMUNERATION OF THE DIRECTORS IN THEIR CAPACITY AS SUCH**
- 5 PROCESS OF SETTING, REVIEWING AND IMPLEMENTING THE REMUNERATION POLICY.**
- 6 ACTIONS TAKEN TO ALIGN THE REMUNERATION POLICY WITH THE COMPANY'S LONG-TERM OBJECTIVES, VALUES AND INTERESTS**
- 7 VALIDITY OF THE POLICY**

## 1. PRINCIPLES OF THE REMUNERATION POLICY

The general objective of the Remuneration Policy for ENCE Directors is to establish suitable remuneration to attract and retain Directors with a desired profile, and to remunerate their dedication, qualification, and responsibilities, without compromising their independence of judgement.

The general principles underlying the Remuneration Policy, classified according to their applicability to the remuneration policy for the different types of directors, are as follows:

PRINCIPLES	Executive Directors	Non-executive directors
<p><b>PROPORTIONALITY:</b> Remuneration levels are appropriate to the Company's performance regarding the industry, the Company's situation, its future prospects and the comparison with remuneration paid by other companies in the same or similar industries.</p> <p>Regarding Executive Directors, in order to have the best professionals, the remuneration package, both in terms of its structure and overall amount, will be competitive with that of comparable companies.</p>	●	●
<p><b>FAIR PAY:</b> Adequate remuneration is paid for professional worth, skills, experience, responsibility and results.</p> <p>The Executive Directors' Remuneration Policy is aligned with that of other employees, sharing the same principles and criteria for action, and incorporating the elements included in the remuneration package for ENCE executives.</p>	●	●
<p><b>GOOD GOVERNANCE:</b> When determining Directors' remuneration, the Company takes into account the evolution of regulations, best practices, recommendations and national and international trends in the remuneration of Directors of listed companies.</p>	●	●
<p><b>LINK BETWEEN REMUNERATION AND PERFORMANCE:</b> A significant portion of total remuneration is linked to the achievement of financial, business, <i>stakeholder</i> value creation and non-financial objectives, including ESG (<i>Environmental, Social &amp; Governance</i>) objectives.</p>	●	
<p><b>FLEXIBILITY:</b> Variable remuneration is not guaranteed and is sufficiently flexible so that it is possible not to pay this component.</p>	●	
<p><b>SUITABILITY:</b> Remuneration should be sufficient and commensurate with the dedication, qualifications and responsibilities of the directors in their capacity as such, without such remuneration compromising the directors' independence of judgement.</p>		●

The principles set out above are translated into a Policy that, aligned with ENCE's long-term strategy and the interests of its *stakeholders*, complies with best practices in good governance:

WHAT WE DO	WHAT WE DON'T DO
<ul style="list-style-type: none"> <li>● Linking a high percentage of remuneration to the Company's results ("<i>pay for performance</i>").</li> <li>● Short-term variable remuneration:                             <ul style="list-style-type: none"> <li>▪ The weight of the quantitative objectives to which it is linked represents at least 80%.</li> <li>▪ The weight of qualitative objectives linked to performance assessment represents a maximum of 20%.</li> <li>▪ Inclusion of ESG objectives.</li> </ul> </li> <li>● Long-Term Variable Remuneration:                             <ul style="list-style-type: none"> <li>▪ Target measurement period of 3 years.</li> <li>▪ Mainly in shares.</li> <li>▪ Obligation to maintain the shares after their delivery.</li> <li>▪ Inclusion of value creation, economic-financial and ESG objectives.</li> </ul> </li> <li>● Severance pay in the event of termination: Limited to one annuity of the Fixed Remuneration and Short-Term Variable Remuneration received or accrued in the previous year. In the event of resignation of the Chief Executive Officer due to a significant change in the control structure of the Company, the indemnity is limited to two annual payments of the Fixed Remuneration and Short-Term Variable Remuneration received or accrued in the two years immediately prior to termination.</li> <li>● Up to 100% of the total Variable Remuneration will be subject to remuneration reduction ("<i>malus</i>") clauses and recovery of remuneration payments made ("<i>clawback</i>") clauses.</li> <li>● The Board of Directors and the Appointments and Remuneration Committee ("CNR") receive external advice for the purpose of considering and interpreting market remuneration information as an additional element to be taken into account in the decision-making process.</li> </ul>	<ul style="list-style-type: none"> <li>● There are no contracts with guaranteed wage increases.</li> <li>● There is no guaranteed variable remuneration.</li> <li>● Non-executive directors do not participate in remuneration formulas or schemes linked to the Company's performance. Nor do they receive their remuneration in the form of shares, share options or share-linked remuneration rights.</li> </ul>

## 2. SUMMARY OF THE MAIN CHANGES

This new Policy, although in line with the current policy approved by the General Shareholders' Meeting of 31 March 2021 with 98.79% of votes in favour, introduces some modifications regarding the remuneration of the Chief Executive Officer and the definition of a new long-term incentive.

The CNR has also carried out an analysis of the Policy taking into account the internal and external factors described in the table below:

Internal Factors	External Factors
<ul style="list-style-type: none"> <li>• The results achieved in recent years, including the creation of shareholder value.</li> <li>• Strategic priorities in the short term and in the long term.</li> <li>• Internal equity with the remuneration conditions of the management team and all employees.</li> </ul>	<ul style="list-style-type: none"> <li>• General recommendations on good corporate governance at national and international levels.</li> <li>• The practices of comparable sectors and companies and market trends in general.</li> <li>• Recommendations received in the process of engaging with institutional shareholders and proxy advisors.</li> </ul>

In addition, the CNR analysed all elements of the CEO's remuneration in depth in order to assess a possible repositioning of both the amount and the remuneration mix. Throughout the above analysis, the CNR has considered a holistic and strategic approach, in which the following factors were specifically examined:

- In the last 10 years (since 2013), no increase has been applied to the Fixed Remuneration or Short and Long Term Variable Remuneration of the Chief Executive Officer.
- The evolution of the level of complexity of the CEO function and the sectors in which ENCE operates as well as the expansion of the Company into new lines of business. In this respect, the complexity of the Group's business has increased considerably, especially in the renewable energy business where, in addition to the significant increase in installed capacity from biomass, it has diversified with other activities such as industrial heat or biomethane production.
- The need to retain and motivate the CEO. Moreover, in a complex context such as that of recent years (the pandemic, supply crisis, the war in the Ukraine, uncertainty about the Pontevedra plant, etc.), ENCE, under the leadership of the CEO, has achieved positive results.
- The evolution of the remuneration of ENCE's workforce during the same period.
- The position of the CEO's remuneration compared to comparable companies. In this respect, a multi-sectoral group has been considered, composed mainly of companies with a parent company in Spain, mainly linked to the industrial and/or energy sector, comparable in terms of size regarding turnover, volume of assets, capitalisation and number of employees.
- The *pay for performance* principle set out in the Remuneration Policy. In this respect, the remuneration package of the Chairman and CEO is significantly leveraged on variable remuneration.

In view of the above, the CNR proposed setting the Fixed Remuneration at 750,000 euros, which represents a 12.93% increase (1.22% in annualised terms). This increase is lower than the average increase in the remuneration of ENCE employees over the last 10 years. On the other hand, the remuneration mix will remain leveraged on variable remuneration (both Short-Term and Long-Term Variable Remuneration).

The Policy also regulates in general terms the framework within which the Company's Long-Term Remuneration Plans must be approved and within which the new Long-Term Incentive Plan for the years 2023 to 2027 is included, which the Board of Directors, at the proposal of the CNR, submits to a vote at the Ordinary General Shareholders' Meeting in 2023.

Taking into account that this new Plan proposed to be approved by this board coexists with the current Plan, since it begins before the end of the second cycle of the Long-Term Incentive Plan for the financial years 2019 to 2023, it has been established that, from the incentive resulting from the first cycle of the new Plan, one fifth (1/5) of the amount that, if applicable, is received from the 2019-2023 ILP Plan will be deducted.

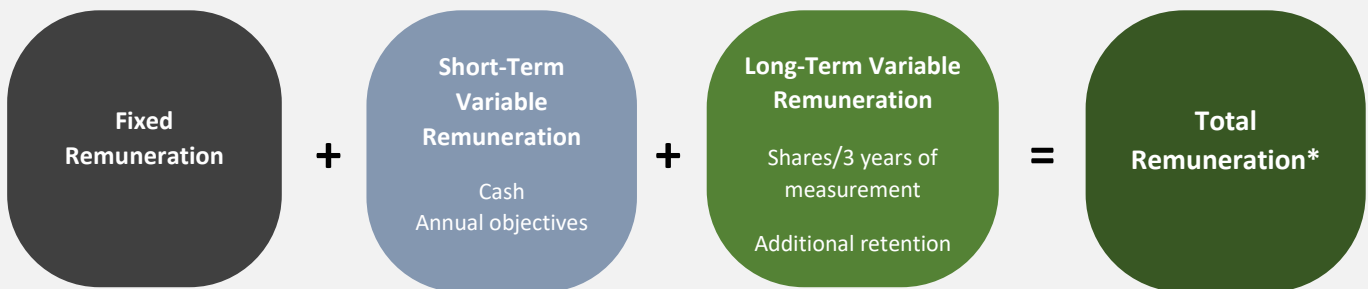
Finally, it was proposed to update the format and content of the Remuneration Policy in line with best practices.

At the proposal of the CNR, the Board of Directors agreed on these amendments after considering the favourable votes of the last Annual Directors' Remuneration Reports.

### EXECUTIVE DIRECTORS' REMUNERATION

The Chief Executive Officer is currently the only member of the Board of Directors with executive functions. This section 3 describes the main features of their remuneration system. This system may be applicable to new Executive Directors who may be appointed during the term of this Policy (for further information, see section 3.6).

#### 3.1 Main components of the Chief Executive Officer's remuneration:



\* The Chief Executive Officer may also be the beneficiary of other remunerative components such as company car, life insurance, health and accident insurance, medical insurance, pension plans.

#### 3.2 Remuneration mix

The Chief Executive Officer's remuneration package is mainly biased towards variable remuneration, both short and long term, so that most of the total remuneration is received only if the targets set in the short and long term variable remuneration are met. This remuneration structure is consistent with the principle of "linking remuneration and performance".

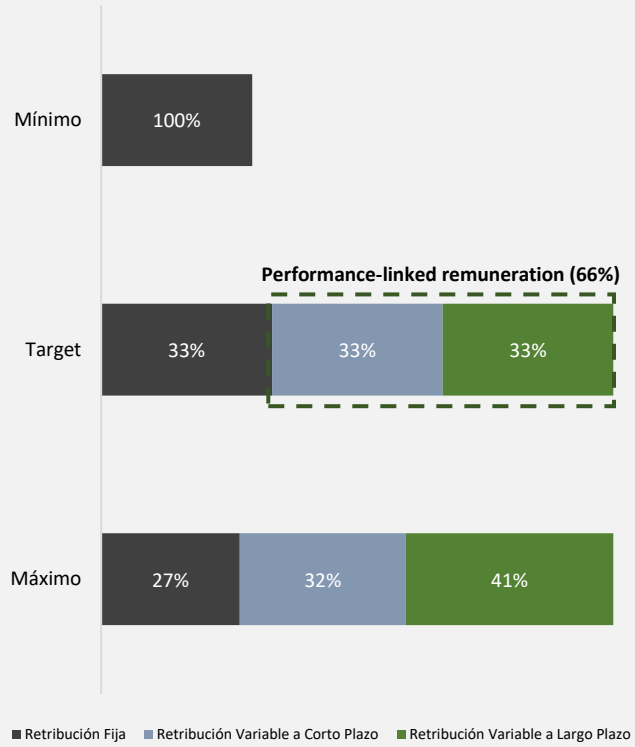
The remuneration mix of the Chief Executive Officer under different scenarios is presented below. The graphs show the weight of the different remuneration elements (fixed remuneration, short-term variable remuneration and long-term variable remuneration) in the total remuneration (sum of these elements):

**Fixed remuneration**

All scenarios	€750,000
The amounts of remuneration in kind and contributions to social welfare plans that may correspond to the Chief Executive Officer are not taken into account.	

**Short-Term Variable Remuneration / Long-Term Variable Remuneration**

"Minimum" scenario	<ul style="list-style-type: none"> <li>Short-term variable remuneration: Not paid.</li> <li>Long-Term Variable Remuneration: Not paid.</li> </ul>
"Target" scenario	<ul style="list-style-type: none"> <li>Short-term variable remuneration: 100% of the Fixed Remuneration.</li> <li>Long-Term Variable Remuneration: 100% of the Fixed Remuneration.</li> </ul>
"Maximum" scenario	<ul style="list-style-type: none"> <li>Short-term variable remuneration: 120% of the Fixed Remuneration.</li> <li>Long-Term Variable Remuneration: 150% of the Fixed Remuneration.</li> </ul>



### 3.3 Details of remuneration elements:

Notwithstanding the remuneration that they may receive for their position as members of the Board of Directors, including, where appropriate, the chairmanship of the Board, the elements that make up the Chief Executive Officer's remuneration package for the performance of their executive duties are as follows:

Fixed Remuneration	
<b>Amount</b>	<p>Chief Executive Officer: 750,000 euros.</p> <p>In the event that the CEO is also Chairman of the Board of Directors, he shall receive, in addition to his remuneration for executive functions, the amounts corresponding as remuneration for his position as Chairman of the Board under the terms to be approved by the Board of Directors on the proposal of the Appointments and Remuneration Committee.</p>
<b>Operation</b>	<p>The Board of Directors determines the fixed remuneration of the Executive Directors, as proposed by the Appointments and Remuneration Committee.</p> <p>This fixed remuneration is paid monthly in cash.</p> <p>There are no plans to modify the previous fixed remuneration during the term of this policy. However, if circumstances so require, remuneration may vary according to a possible change in responsibilities, development in the position, as well as in case of special needs for retention and motivation, taking into account market standards. The maximum increase for the term of the Policy may not exceed 10% of the stated Fixed Remuneration. If applicable, the increase would be detailed in the relevant Annual Directors' Remuneration Report together with the underlying reasons.</p>



Short-term variable remuneration ("STVR")	
<b>Amount</b>	<ul style="list-style-type: none"> <li>• Target: 100% of the Fixed Remuneration. It will be achieved in case of 100% compliance with the pre-established objectives.</li> <li>• Maximum: 120% of the target. It will be achieved in case of compliance beyond the pre-established objectives.</li> </ul>
<b>Metrics</b>	<p>STVR is linked to the achievement of quantitative and qualitative targets predetermined by the Board of Directors.</p> <p>The quantitative targets will have a weight of at least 80% in the overall incentive. They will be composed of metrics that guarantee an adequate balance between the financial and non-financial aspects of the Company's management. Some examples of metrics that could be included in the LTVR are listed below:</p> <ul style="list-style-type: none"> <li>• Economic and financial objectives: <ul style="list-style-type: none"> <li>▪ Results: Through indicators such as EBITDA, Operating Profit or Net Profit, measured both in real and synthetic terms.</li> <li>▪ Cash generation: Metrics such as Free Cash Flow, Operating Cash Flow, Cash Available for Distribution, etc. could be used.</li> <li>▪ Return: Through indicators such as, for example, ROE, ROCE, ROA, ROI, etc.</li> <li>▪ Expenditure and debt control: Through indicators such as, for example, Net Financial Debt, CapEx, OpEx, etc.</li> </ul> </li> <li>• ESG targets: e.g. water consumption, odour minutes, CO2 emissions reduction, organisational climate indicators, occupational safety, etc.</li> <li>• Operational objectives: production volume, sales volume, cash cost, etc.</li> </ul> <p>These targets will not only encompass occasional or extraordinary events, but must also promote the sustainability of the Company and the recognition of good performance.</p> <p>The qualitative targets will have a weight of a maximum of 20% in the whole incentive. They will be linked to the evaluation of the CEO's individual performance.</p> <p>The Annual Report on Directors' Remuneration will provide information on the metrics defined for each year.</p>
<b>Operation</b>	<p>The Board of Directors, at the proposal of the Appointments and Remuneration Committee, is responsible for approving the objectives at the beginning of each financial year and evaluating their fulfilment at the end of the year.</p> <p>At the end of the year, the Board determines the variable remuneration accrued during the year based on the level of compliance with the aforementioned targets. In order to ensure that the annual variable remuneration is effectively related to the professional performance of the beneficiaries, when determining the level of compliance with the quantitative targets, the Board and the Appointments and Remuneration Committee may disregard extraordinary circumstances that could introduce distortions in the evaluation criteria.</p> <p>In calculating the amount of the STVR, the degree of compliance with and weighting of each of the targets will be considered and the internal rules and procedures for evaluating objectives, established by the Company for its executives, will be applied. In the components related to the Company's results, deductions will be considered for any qualifications stated in the external auditor's report.</p> <p>In special circumstances, due to internal or external factors, the CNR may propose to the Board the possibility of weighting other objectives and achievements, both quantitative and qualitative, or the application of other criteria for the determination of the STVR. Details of these adjustments would be set out in the Annual Remuneration Report.</p>
<b>Payment</b>	<p>This STVR shall be paid in cash after the annual accounts are prepared and, in any case, within the four (4) months immediately following the end of the financial year except for exceptional circumstances.</p> <p>In the event that it is decided to pay all or part of the STVR in the form of shares, stock options, or any other system linked to the value of the shares of the Company or Companies in its Group, the agreement of the General Shareholders' Meeting will be required.</p>

**Long-Term Variable Remuneration ("LTVR")**

<p><b>Amount</b> (at concession prices, excluding share price movements)</p>	<ul style="list-style-type: none"> <li>Target: 100% of the Fixed Remuneration. It will be achieved in case of 100% compliance with the pre-established objectives<sup>1</sup>.</li> </ul> <p>Maximum: 150% of the target. It will be achieved in case of compliance beyond the pre-established objectives.</p>
<p><b>Metrics</b></p>	<p>The objectives to be established in the LTVR will be aligned with the generation of value for shareholders and other stakeholders and will be approved by the Board of Directors at the beginning of each cycle of the Plan, at the proposal of the CNR. Some examples of metrics that could be included in the LTVR are listed below:</p> <ul style="list-style-type: none"> <li>Shareholder value creation objectives: e.g. Total Shareholder Return (absolute or relative), share appreciation or Earnings per Share.</li> <li>Economic and financial objectives:             <ul style="list-style-type: none"> <li>Results: Through indicators such as EBITDA, Operating Profit or Net Profit, measured both in real and synthetic terms.</li> <li>Cash generation: Metrics such as Free Cash Flow, Operating Cash Flow, Cash Available for Distribution, etc. could be used.</li> <li>Return: Through indicators such as, for example, ROE, ROCE, ROA, ROI, etc.</li> <li>Expenditure and debt control: Through indicators such as, for example, Net Financial Debt, CapEx, OpEx, etc.</li> </ul> </li> <li>ESG targets: e.g. water consumption, odour minutes, CO2 emissions reduction, organisational climate indicators, occupational safety, etc.</li> <li>Operational objectives: production volume, sales volume, cash cost, etc.</li> </ul>
<p><b>Operation</b></p>	<p>The LTVR is structured through cycles of at least 3 years of target measurement that are each independent of each other (i.e. with the incentive payable for each cycle after 3 years from the start of each cycle). The LTVR may be paid in cash and/or include the delivery of shares, share options or share-linked remuneration rights, provided that the targets set for this purpose are met.</p> <p>For each cycle, the Board, at the proposal of the CNR, approves the metrics, weightings, targets and, where appropriate, the comparator group to ensure ongoing alignment with the Company's strategy.</p> <p>The Board, acting on a proposal from the CNR, determines the payment levels, after the target measurement period has closed, based on the degree of compliance. The incentive levels for intermediate performance shall be agreed by the Board, upon proposal of the CNR, and shall be disclosed in the relevant Annual Report on Remuneration of the Board.</p> <p>The assessment of results and the determination of payment for some metrics may be made based on data provided by external consultants. In this assessment, the CNR also considers the associated risks. In this regard, positive or negative economic effects arising from extraordinary events that could introduce distortions in the evaluation results may be eliminated when proposing the level of achievement of the quantitative targets.</p> <p>The Board, acting on a proposal from the CNR, is competent to agree on the application of the ex-post adjustments described in section 3.4.</p>

<sup>1</sup> The cycle starting in 2023 will exceptionally be allocated a target incentive of 300% of the Fixed Remuneration. This concession is made so that the target LTVR to be paid over a period of 5 years, in yearly terms, represents 100% of the Fixed Remuneration (as was the case under the previous Remuneration Policy). However, one fifth (1/5) of the amount, if any, to be received in 2024 under the Long-term Incentive Plan for the years 2019 to 2023, approved by the General Shareholders' Meeting of ENCE held on 28 March 2019, shall be deducted from this incentive.

The Long-Term Incentive Plan for financial years 2019 to 2023, approved by the General Shareholders' Meeting of ENCE held on 28 March 2019, will remain in force until 2024 when the corresponding incentive will be paid if the scaled requirements are met.

<b>Payment</b>	At the end of each cycle, the Chief Executive Officer is obliged to hold the shares (net of tax), if any, that they receive for at least three years after their delivery. However, this requirement does not apply if, at the time of delivery, the Chief Executive Officer holds a number of shares the market value of which is equivalent to at least twice their annual fixed remuneration.
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#### Other remunerative components

The Chief Executive Officer may receive other amounts than the ones described in the sections above, including a company vehicle, life insurance, health insurance, accident insurance, pension plans (amongst others, mixed employee benefits or defined payouts) and other remunerations in kind determined by the Board of Directors, on the proposal of the Appointments and Remuneration Committee, in accordance with the general criteria and policies adopted by the Company in this area and industry best practices.

The sum insured is in line with the market.

The Annual Report on Directors' Remuneration shall detail the amounts accrued in each financial year.

### 3.4 Ex-Post Adjustments to Variable Remuneration

Up to 100% of the total Variable Remuneration will be subject to remuneration reduction ("*malus*") clauses and recovery of remuneration payments made ("*clawback*") clauses. These clauses will apply to active Executive Directors as well as those who have left the Company:

- **Malus:** The Variable Remuneration that has yet to be paid, either in cash and/or in shares, will be subject to reduction or cancellation by the Company if, during the period of time between the end date of the incentive (Short- and/or Long-Term) and the time of payment, errors or inaccuracies are accredited in the data used to calculate the final amount, on the basis of the ENCE results, the results of the business unit, and/or of the person concerned.
- **Clawback:** Amounts unduly received as Short- and/or Long-Term Variable Remuneration paid in cash and/or shared if the Company demands reimbursement of the Variable Remuneration paid based on data whose error in inaccuracy was later accredited are required to be reimbursed. In this case, the beneficiary must reimburse any amount unduly received within 90 days.

The Board of Directors may decide to apply the *clawback* clause at any time during the twenty-four (24) months following the Subscription Date.

### 3.5 Contractual terms and conditions of the Chief Executive Officer

The Chief Executive Officer may resign from his position at any time, with a written notice at least three months in advance, with no right to compensation of any kind. If this notice is not given, the Company will be entitled to a compensation equivalent to the Fixed Remuneration corresponding to the non-observed term of notice.

The Board may at any time revoke the powers delegated to the Chief Executive Officer. The non-reelection of a Chief Executive Officer as a member of the Board when their appointment expires during the term of the contract shall be considered equivalent to such termination.

In this case, Chief Executive Officer is entitled to a minimum notice of three months or, as the case may be, to gross compensation equivalent to the Fixed Remuneration according to the period of notice not complied with

and to an indemnity equivalent to the amount of one year's Fixed Remuneration received at that time plus the Variable Remuneration received or accrued in the previous year.

If, during the term of the contract, a major shift in control of the Company occurs, the Chief Executive Officer may submit his resignation, and is entitled to receive a sum equivalent to twice the Fixed Remuneration being received at that time plus the Variable Remuneration received or accrued in the two previous years. For these purposes, a significant change of control shall be understood to mean (i) any acquisition, directly or indirectly, by an investor who is not currently a significant shareholder of the Company, who is subject to the obligation to make a takeover bid for the Company's shares in accordance with the regulations in force at any given time, either by purchasing shares or other securities, by means of shareholder agreements or by means of any other cases that such regulations consider to be of a similar nature, or, (ii) in the event that the cases contemplated under point (i) above do not occur, any succession of the company or relevant transfer of shares that has as an effect of a modification of the conditions for the provision of his services by the CEO that results in his functions being vacated or substantially affected in any way.

Any remuneration from long-term incentive plans is not included in this calculation. If the termination of the Chief Executive Officer is a result of the commission of infractions against the law, contracts, the articles of association, or other applicable company regulations, the notice and indemnity payment mentioned above are also excluded.

Finally, it is established that during the twelve months following termination for any reason, the Chief Executive Officer may not compete with the Company, and the Board of Directors will determine an appropriate economic compensation (this compensation will be equivalent to 15% of the Fixed Remuneration and is included therein). If this contractual non-competition requirement is not complied with, the Chief Executive Officer will have to pay back the compensation paid for this item to the Company, without prejudice to the damages that may be claimed. The compensation for assuming this non-competition obligation shall be paid to the Chief Executive Officer on a regular basis from the date of their appointment and not when their contract is terminated, without constituting a separate component in addition to the amount of their Fixed Remuneration.

Finally, the Chief Executive Officer's contract is of a permanent nature and includes an exclusivity clause, without prejudice to any positions they may hold in companies belonging to the Company's group and in family companies of a patrimonial nature, provided that they do not affect their dedication and do not entail a conflict of interest with the Company, or in other companies other than the above when expressly authorised to do so by the Board of Directors.

### **3.6 Remuneration applicable to new executive directors**

The remuneration system described above for the Chief Executive Officer shall apply to any Director who joins the Board of Directors during the term of this Policy to perform executive duties. For these purposes, the CNR and the Board of Directors shall take into consideration, in particular, the functions attributed, the responsibilities assumed, their professional experience, the market remuneration of that position and any others it deems appropriate to take into account in order to determine the elements and amounts of the applicable remuneration system, if any, to the new executive director, which shall be duly reflected in the corresponding contract to be signed between the Company and the new Executive Director.

Exceptionally, and in order to facilitate the recruitment of an external candidate, the CNR could propose for decision by the Board to establish a special incentive to compensate for the loss of incentives not accrued in the previous company due to the termination and subsequent acceptance of ENCE's offer.

For internal promotions, the CNR may cancel and/or offset pre-existing incentives and other obligations that may be in place at the time of appointment.

## **3. REMUNERATION OF THE DIRECTORS IN THEIR CAPACITY AS SUCH**

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In accordance with the provisions of Article 529 septedecies of the Capital Companies Act, the Remuneration Policy for Directors will determine the remuneration of Directors in their capacity as such, within the remuneration system described in the Articles of Association, and will necessarily include the maximum annual remuneration amount to be paid to the group of Directors in their capacity as such.

In this respect, the maximum annual amount of Remuneration for all Directors in their capacity as such is 1,900,000 euros, which coincides with the amount approved by the General Shareholders' Meeting on 22 March 2018, and will remain in force until it is modified at a subsequent General Shareholders' Meeting.

Pursuant to Article 38.2 of the Articles of Association, the remuneration of the Directors in their capacity as such shall consist of a fixed periodic payment. Within this periodic allowance, the Remuneration Policy may establish that Directors receive allowances for attendance at meetings of the Board of Directors and its Committees; the Company may also take out life, accident and health insurance and health care insurance for its Directors.

In this respect, setting the exact amount to be paid within this limit, how it will be distributed among the Directors, and the regularity of payment is the responsibility of the Board of Directors, following a report from the Appointments and Remuneration Committee, taking into account the functions and responsibilities assigned to each Director, their membership on Board Committees, and other objective circumstances considered to be relevant.

	Description	Determination and Limits
<b>Fixed Assignment</b>	<p>Comprised of:</p> <ul style="list-style-type: none"> <li>• Periodic allocation (fees), and</li> <li>• Allowances for attendance at meetings of the Board of Directors and its committees.</li> </ul>	<p>The Board of Directors sets the amount to be paid, within the limit or maximum amount approved by the General Meeting.</p> <p>The Board of Directors likewise sets how it will be distributed amongst the Directors, and the frequency of their payment, and will take into account (i) the functions and responsibilities assigned to each Director, (ii) their membership on Board Committees and (iii) other objective circumstances the Board considers relevant.</p>
<b>Other remunerative components</b>	<p>The ENCE Articles of Association allow Directors, in their capacity as such, to receive other remunerations consisting of different types of insurance, including life, accident, and health insurance.</p>	<p>The premiums paid shall be calculated for the purposes of the maximum limit set by the General Meeting.</p>

#### 4. PROCESS OF SETTING, REVIEWING AND IMPLEMENTING THE REMUNERATION POLICY

##### 5.1 Internal regulations and Company bodies involved

The Company's Remuneration Policy is regulated in the Articles of Association and in the Regulations of the Board of Directors. Specifically, article 17.2.j) of the Regulations of the Board of Directors establishes as a basic responsibility of the CNR the proposal to the Board of Directors of a system for determining the amount of the annual remuneration received by Directors and Senior Executives, as well as the other basic conditions of the contracts of the Directors and their individual remuneration, ensuring compliance with the remuneration policy established by the Company.

Based on the above, the CNR proposes the Remuneration Policy to the Board of Directors, which submits it to the General Shareholders' Meeting for approval.

The functions performed by the aforementioned bodies of the Company involved in the review, determination and approval of the Policy are set out below:

#### **General Shareholders' Meeting:**

The General Shareholders' Meeting is responsible for approving:

- The Remuneration Policy at least every three years.
- The maximum annual remuneration amount of all the Directors in their capacity as such.
- Variable remuneration systems for Directors that include the delivery of shares or stock options or remuneration linked to the value of the shares.

#### **Board of Directors:**

- Regarding the Directors in their capacity as such, it approves the distribution among different items of the maximum amount approved by the General Shareholders' Meeting.
- For Executive Directors, it approves the fixed remuneration and the main terms and conditions of the short- and long-term variable remuneration schemes.
- It approves the contracts regulating the performance of the duties and responsibilities of Executive Directors.
- It reviews proposals to adapt, update or approve the Directors' Remuneration Policy to be submitted to the General Shareholders' Meeting for approval.
- It approves the annual report on Directors' remuneration to be submitted to the advisory vote of the General Shareholders' Meeting.

#### **Appointments and Remuneration Committee (CNR):**

- It proposes to the Board of Directors the distribution among different items of the maximum amount approved by the General Shareholders' Meeting.
- It proposes to the Board of Directors the fixed remuneration of the Executive Directors and annually reviews the terms and conditions of variable remuneration to be approved by the Board.
- It proposes to the Board of Directors the contracts regulating the performance of the duties and responsibilities of Executive Directors.
- It proposes to the Board of Directors the approval of the Directors' Remuneration Report and, where appropriate, the Remuneration Policy and its adaptations or updates.

In carrying out the above functions, the CNR may be assisted by independent external consultants and remuneration experts and shall ensure that any conflicts of interest do not impair the independence of the advice given to the CNR.

#### **Sustainability Committee:**

- Regarding long-term variable remuneration, the Committee prepares, in accordance with the Sustainability Master Plan, the proposal of the objectives comprising the sustainability basket to be approved by the Board of Directors.

In addition, other areas of the Company are also involved in the process of determining, reviewing and applying the Remuneration Policy:

**Planning and Control Department:**

- It elaborates the report on the degree of achievement of operational, business, financial and non-financial objectives, based on the results audited by the Company's internal and external auditor.

**Internal Audit Department:**

- It drafts a report on the correctness of the data and calculations made in relation to the annual target indicators, their quantification and the degree of achievement for each target.

**General Secretary:**

- It prepares formal Remuneration Policy documentation for submission to the CNR and the Board.
- It prepares, with the Human Capital Department, the annual report on Directors' remuneration.

## 5.2 Criteria adopted in the determination of the Remuneration Policy

**Internal and external factors:**

The CNR considers both ENCE's internal reality and the external environment in which the Company operates, including guidelines issued by *proxy advisors* and institutional shareholders. The CNR also considers information from institutional investors received in ENCE's regular consultation process.

For further information, section 2 above details the internal and external factors that the CNR has taken into account when reviewing the Remuneration Policy.

**Consideration of the remuneration conditions of employees as a whole and the perspective of the management team:**

The remuneration strategy applicable to the Company's employees and executives has been taken into account for the purpose of establishing the remuneration conditions for the Chief Executive Officer described in this Remuneration Policy.

In this regard, the design of the remuneration policy applicable to the Chief Executive Officer is aligned with that of the Company's senior management. Moreover, it shares the following principles with ENCE's general remuneration policy:

- **Total remuneration structure:** the remuneration package offered by ENCE may be composed of fixed and variable components, as well as remuneration in kind and other social benefits. In any case, the fixed remuneration has a relevant weight insofar as, in certain circumstances, the variable remuneration may be zero.
- **Pay equity:** non-discrimination on the basis of gender, age, culture, religion or race is guaranteed in the application of pay practices and policies. In this respect, ENCE professionals are remunerated in a manner consistent with their level of responsibility, leadership and performance within the organisation, favouring the retention of key professionals and attracting the best talent.
- **Pay for performance:** a significant part of the total remuneration of Senior Executives and a high percentage of the Company's employees is of a variable nature and is linked to the achievement of predetermined, specific, quantifiable financial, business and value creation objectives aligned with ENCE's social interest.



- **Proportionality:** remuneration levels are appropriate to the importance of the Company, to its financial situation at any given time and to market standards in comparable industries and companies.
- **Prudence:** The criteria used by the CNR to establish fixed, variable or other types of remuneration take into account the risks that are implicit in such decisions and the long-term implications for the Company.
- **Values:** The Remuneration Policy is designed to attract and retain the best talent and motivate a high performance culture.

## 5. ACTIONS TAKEN TO ALIGN THE REMUNERATION POLICY WITH THE COMPANY'S LONG-TERM OBJECTIVES, VALUES AND INTERESTS

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The consistency of the Remuneration Policy with the Company's strategy, interests and long-term sustainability is based on the following:

- The Remuneration Policy is designed to be consistent with the company's strategy and long-term performance orientation:
  - (i) Executive Directors' remuneration is composed of different remuneration elements, mainly fixed remuneration, short-term variable remuneration and long-term variable remuneration.
  - (ii) Regarding the metrics established, the Short-Term Variable Remuneration sets specific and quantifiable financial and non-financial objectives, linked to the Company's social interest and sustainable growth. Long-term Variable Remuneration is linked to objectives that are directly related to the growth of the company, the generation of shareholder value and focuses specifically on the working environment and sustainability.
  - (iii) Long-term variable remuneration schemes are part of a multi-annual framework, of at least 3 years, to ensure that the evaluation process is based on long-term results and takes into account the Company's underlying economic cycle. This remuneration is awarded and paid in the form of shares based on value creation, so that the interests of the Directors are aligned with those of the shareholders.
  - (iv) Shares delivered under the Long-Term Variable Remuneration to the Chief Executive Officer will be subject to a 3-year holding period as long as the permanent shareholding requirement (2 annuities of the Fixed Remuneration) is not reached.
- Balance between fixed and variable remuneration components.

The variable remuneration system is flexible and allows that in case of non-achievement of minimum performance levels, no variable remuneration is paid, and is therefore not guaranteed. The percentage of short- and long-term variable remuneration can be relevant if the maximum level of target achievement is reached.

- Moreover, measures that help to avoid excessive risk-taking and foster a culture of commitment to objectives include:
  - (i) The corporate governance system, internal regulations and control and compliance systems, which set oversight mechanisms and checks and balances to prevent the concentration of decision-making power in areas that may involve a high degree of risk.
  - (ii) The Annual Variable Remuneration is paid after the date of drafting and auditing the annual accounts and after determining the achievement degree of the objectives.
  - (iii) The CEO's contract incorporates *malus* and *clawback* clauses.



## 6. VALIDITY

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This Policy replaces the Directors' Remuneration Policy approved by the General Shareholders' Meeting held on 31 March 2022, will enter into force on the date of its approval by the General Shareholders' Meeting and will remain in force until 31 December 2026, without prejudice to any adaptations or updates that may be made by the Board of Directors in accordance with the provisions thereof and any amendments that may be approved from time to time by ENCE's General Shareholders' Meeting.

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