

**OPERATING REPORT OF THE APPOINTMENTS AND REMUNERATION COMMITTEE FOR
FINANCIAL YEAR 2022**

1. Introduction

ENCE ENERGÍA Y CELULOSA, S.A. (hereinafter, "Ence" or the "Company") has prepared this Operating Report of the Appointments and Remuneration Committee (hereinafter, the "Report") in accordance with the provisions in Technical Guide 1/2019 on appointments and remuneration committees, 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 Committee (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) 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 48) 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 Spanish 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 Committee 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.

In financial year 2022, the composition of the CNR and the seniority of its members was as follows:

Name	Position	Category	Seniority with the CNR
Ms Maria Paz Robina	Chairwoman	Independent	26 March 2021
Ms Irene Hernández	Member	Independent	31 March 2022
Ms Rosalía Gil-Albarellos	Member	Independent	31 March 2022
Mr Fernando Abril-Martorell	Member	Other external member	30 March 2007
Mr Gorka Arregui	Member	Proprietary Director	31 March 2022
Mr José Antonio Escalona	Secretary	Non-member	31 March 2022

The Committee's members were appointed at the proposal of the Appointments and Remuneration Committee, in accordance with Article 17.2 (g) of the Board of Directors Regulations.

The composition of the Appointments and Remuneration Committee 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 evaluated 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:

- To define and assess the skills, knowledge, and experience needed on the Board of Directors.
- To examine the Company's compliance with corporate governance rules and its code of conduct and make the necessary proposals for improvement.
- To 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.
- To ensure, within the scope of its powers, that when filling new vacancies or appointing new directors, selection procedures favour diversity with regard to issues such as age, gender, disability or professional training and experience and do not suffer from implicit biases that could imply any discrimination and, in particular, that they facilitate the selection of female directors in a number that allows for a balanced presence of women and men; establishing a target for the representation of the under-represented gender and developing guidance on how to reach that target.
- To 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.
- To propose the members who should be part of each of the Committees to the Board.
- To report on the appointments and removal of Directors with greater responsibility in the Company that the Chief Executive may propose to the Board.
- To propose to the board of directors the system and amount of annual remuneration of directors and senior management.

- To propose to the Board of Directors the standard conditions for Executive Directors' contracts and their individual remuneration.
- Ensure compliance with the remuneration policy.
- To 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, their performance and the quality of their work.
- To 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 committee.
- Supervise the communication strategy and the relationship with voting advisors.

5. Meetings held and tasks performed during financial year 2022

During financial year 2022, the CNR held 9 meetings, with a personal attendance rate of 96.30% of its members and 100% of members present and duly represented, as well as the secretary of the Committee.

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

The most significant tasks carried out by the CNR throughout 2022 are described below:

(i) Variable remuneration for Senior Management

The CNR reviewed and reported favourably on the proposal **to meet the 2021 ordinary variable remuneration targets of the Management Committee**, which included the achievement percentage of these targets and the resulting variable remuneration amounts for each of them.

At the same meeting, the CNR reviewed and reported favourably on the proposal **to set the objectives of the Management Committee** whose degree of compliance will determine the amount of variable remuneration for 2022.

(ii) Senior management assessment

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

(iii) Remuneration Policy for Directors and Remuneration Report

The CNR reviewed and reported favourably on:

- the **2022-2024 Remuneration Policy for Directors**, which was approved by the General Meeting of Shareholders held on 31 March 2022, and

- the **2021 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 2021 and in the Company's half-yearly financial reports, and agreed with it.

(iv) Long-Term Incentive (ILP)

CNR members assessed the achievement of the objectives of the first cycle of the ILP 2019-2023 and preliminarily discussed a new long-term incentive proposal.

(v) Evaluation by the Board and the Committee

The annual evaluation of the Board of Directors and the CNR for financial year 2021 was carried out by the CNR in February 2022 through the internal procedure that takes as a reference the individual and anonymous completion by each Director of the self-evaluation questionnaire on various aspects related to the Board and its Committees, prepared by the CNR and sent to the Directors.

After reviewing the results and conclusions of the evaluation process, the CNR submitted its corresponding report to the Board of Directors.

(vi) Selection of advisors

In February, **the CNR agreed to report favourably on the re-election** of Mr Fernando Abril-Martorell Hernández and Mr José Guillermo Zubía Guinea as directors with the category of other external directors, and Ms Irene Hernández Álvarez as independent director, **as well as the appointment** of Mr Ángel Agudo Valenciano as proprietary director and Ms Carmen Aquerreta Ferraz and Ms Rosalía Gil-Albarellos Marcos as independent directors.

In all the cases mentioned in the previous section, the CNR analysed the suitability of their knowledge, skills and experience for the position in accordance with the director selection policy and the specific needs of the board of directors at that time, also verifying that the policy has been complied with.

Likewise, the CNR approved to report favourably on the appointment of Ms María Paz Robina Rosat as chairwoman of the appointments and remuneration committee, as well as the re-election of Ms Irene Hernández Álvarez as independent director coordinator and chair of the audit committee.

(vii) Corporate Governance

In February 2022, the CNR reviewed the contents of the **Annual Corporate Governance Report for 2021** and the 2021 annual accounts within the scope of its responsibilities and agreed to report favourably on their approval by the Board of Directors.

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

- the conclusions reached following meetings with *proxy advisors* and ESG analysts,
- The proposed knowledge update for Council members by 2022.

Finally, the CNR reviewed the **competency matrix** that identifies, firstly, the skills and knowledge present on the Board of Directors, and secondly, the competences that are considered necessary to face the Company's challenges in the medium and long-term and which 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, 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.

6. Evaluation of the Board of Directors and the CNR

As indicated above, in February 2022 **the annual evaluation of the Board of Directors and the CNR for financial year 2021** was carried out through the internal procedure that takes as a reference the individual and anonymous completion by each Director of the self-evaluation questionnaire on various aspects related to the Board and its Committees, prepared by the CNR and sent to the Directors.

The CNR received the aggregated information from the completed questionnaires and reviewed the results obtained on the assessment of general issues of the Committee and the Board of Directors, their functioning, the actions carried out, and the performance of their Chairs and their members. In order to assess the functioning and quality of the work, the matters discussed during the meetings of the Committee and the Board of Directors were also reviewed.

After reviewing the results and conclusions of the evaluation process of the Committee and the Board of Directors, the CNR considered, notwithstanding the opinion of the Board of Directors in this regard, that the functions corresponding to these bodies, by law and regulations, had been satisfactorily performed both generally and individually by the Chair and all members, and therefore agreed to submit the evaluation reports to the Board of Directors.

As a result of this process, an Action Plan was finalised including **measures** such as: (i) improving the participation of directors in meetings (ii) scheduling sufficiently in advance the selection and re-election process for directors, where applicable (iii) improving information to the board on matters dealt with in the executive committee, addressing them more extensively as separate items on the agenda of the board meeting.

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 2023 and provided it 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, 22 March 2023