

REPORT ON THE FUNCTIONING OF THE SUSTAINABILITY COMMITTEE FINANCIAL YEAR 2022

1. Introduction

ENCE ENERGÍA Y CELULOSA, S.A. (hereinafter, "Ence" or the "Company") has prepared this Sustainability Committee Operating Report (hereinafter, the "Report") in order to inform shareholders and other interested parties of the activities carried out by the Sustainability Committee during the year.

This report is published on the Company's website (www.ence.es) sufficiently in advance of the ordinary shareholders' meeting.

2. Regulation of the Sustainability Committee

The regulations governing the composition, functioning and powers of the sustainability committee are contained in the regulations of the board of directors of the Company (article 17 bis), as well as in article 49 of the Articles of Association. In any event, the internal rules of the Company governing the sustainability committee comply with the relevant provisions of the Capital Companies Act ("LSC") and the recommendations of the Code of Good Governance.

3. Composition of the Sustainability Committee

The sustainability committee is composed exclusively of non-executive directors and is chaired by an independent female director.

At year-end 2022, the composition of the sustainability committee and the seniority of its members is as follows:

Name	Position	Category	Seniority in the Sustainability Committee
Ms Rosa Garcia	Chairwoman	Independent	From 29 March 2019
Ms Maria Paz Robina	Member	Independent	From 31 March 2022
Mr Javier Arregui	Member	Proprietary Director	From 26 March 2021
Ms Rosalía Gil-Albarellos	Member	Independent	From 31 March 2022
Mr Ángel Agudo	Member	Proprietary Director	From 31 March 2022
Mr José Antonio Escalona	Secretary	Non-member	From 20 June 2018

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 Sustainability 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/>

4. Functions of the Sustainability Committee

The functions of the Sustainability Committee are governed by Article 17 bis of the Board of Directors Regulations.

The sustainability committee is entrusted with the following responsibilities:

- a) Periodically reviewing the sustainability policy and proposing to the Board of Directors that it be updated so that it is oriented towards the creation of value and the promotion of social interest, taking into account, as appropriate, the legitimate interests of other stakeholders.
- b) Identifying and proposing to the Board of Directors the specific sustainability policies to be included in the Company's internal regulations.
- c) Defining and updating when appropriate the company's sustainability strategy, monitoring that it is aligned with the corporate strategy and addresses the material aspects for the company's stakeholders, and monitoring and assessing its degree of compliance, reporting to the Board of Directors as appropriate.
- d) Reporting, prior to review by the Audit Committee and approval by the Board of Directors, the annual non-financial information statement (Annual Sustainability Report).
- e) Coordinating non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.
- f) Propose the appointment of the independent third party to verify the non-financial information statement.
- g) Ensure that the company's culture is aligned with its purpose and values.
- h) Being aware of significant legal modifications in the field of sustainability with a possible significant influence for the Company, as well as emerging trends, such as circular economy or natural capital, in order to analyse them and, where appropriate, promote action plans.
- i) Supervising and evaluating the strategy of dialogue with the different stakeholders, as well as the procedures and channels of communication with them, within the scope of its competencies, ensuring that it responds to the main interests, expectations and demands of the Company's stakeholders.
- j) Being familiar with and promoting the Company's social action strategy and its community relations plans.

5. Meetings held and tasks performed during financial year 2022

During financial year 2022, the sustainability committee held 5 meetings, with a personal attendance rate of 93.33% of its members and 100% including the members duly represented, as well as the committee secretary.

The non-members of the sustainability committee who have occasionally attended its meetings were the Chairman and CEO, the General Secretary and General Manager of Sustainability, the Sustainability Director, the General Manager of Cellulose, the General Manager of Magnon Green Energy, S.L. (hereinafter, Magnon) as well as the General Manager of Finance, Corporate Development and Forest Assets and the General Manager of Human Capital to inform the committee on the monitoring of the sustainability objectives of their corresponding areas of responsibility and other matters related to the items on the agenda of the meetings. Also in attendance were the safety officers of the biomass power and supply plants and the wood supply officer as reported in section (ii) on sustainability targets.

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

(i) The consolidated statement of non-financial information (annual Sustainability Report)

Prior to its review by the audit committee and its drafting by the Board of Directors, the sustainability committee reviewed the Sustainability Report for 2021 (reporting favourably) and its verification report, which was drafted and presented to the committee by the external auditor KPMG.

At the end of financial year 2021, the committee reviewed the proposed structure and table of contents of the annual sustainability report for 2022, the planning of the work for its preparation, and reported favourably on the appointment of KPMG as the independent auditor of the report.

Finally, with regard to the annual sustainability report, the committee discussed the recommendations made by the external auditor.

(ii) Sustainability Targets

During financial year 2022, the committee monitored quarterly compliance with the sustainability objectives for 2022 approved at the end of financial year 2021, which were defined in line with the pillars and lines of action established in the 2019-2023 sustainability master plan and responding to its strategic axes. The targets included in the sustainability basket of the current Long Term Incentive (ILP) were also taken into account.

In order to monitor these objectives, the Committee meeting on 26 October 2022 was attended by the General Managers of Cellulose, Forestry Assets and the General Manager of Magnon, as well as the safety managers of the energy and biomass supply plants and the wood supply manager, who gave a detailed presentation on the degree of compliance with the objectives corresponding to their area of responsibility and the corresponding action plans.

At the last meeting of the year, held on 24 November, the committee approved the sustainability objectives for 2023, which are also included in the sustainability master plan 2019-2023.

(iii) Sustainability information included in the quarterly financial disclosures

The sustainability committee reviewed and reported favourably on the sustainability information included in the various quarterly financial disclosures.

(iv) New developments in the regulatory framework and business implications

The committee analysed the main regulatory developments, their impact on the Company's business and the actions taken in respect thereof.

In particular, regulatory developments in terms of the following were reviewed:

- Common agricultural policy and eco-regimes
- The taxonomy of sustainable finance
- The existing renewable energy directive (RED II) and its proposed revision (RED III)
- The new proposal for a due diligence directive, and
- The new proposal for a directive on corporate sustainability reporting

(v) Information on activities sponsored by the Company.

The committee reviewed the quarterly update on activities sponsored by the Company and approved in advance by the sponsorship committee.

(vi) Other matters dealt with by the committee.

The committee discussed the following issues:

- Situation of water availability in the Navia and Pontevedra biofactories as a result of the summer drought periods and monitoring of the action plans implemented. Request for a dossier on compliance with ecological flows and control measures adopted.
- Review and analysis of ESG risks and mitigation measures
- Due diligence project: analysis of the actions implemented in the Company in relation to the new requirements established in the proposed Directive (GAP analysis).
- Project to implement a tool for reporting non-financial information.
- Information on the alignment of the company's activities with the taxonomy of sustainable finance
- Plan to update the board's knowledge on sustainability.

6. Evaluation of the Sustainability Committee

In compliance with Article 529 nonies section 1 of the LSC and Article 19 bis of the Board of Directors Regulations, at its meeting held on 23 February 2022, the annual evaluation of the Committee corresponding to financial year 2021 was carried out.

The evaluation was carried out through the internal procedure consisting of taking 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 Committees, prepared by the Appointments and Remuneration Committee and sent to the Directors.

The evaluation showed that the Committee has satisfactorily performed the functions assigned to it by law and regulations, both generally and individually by the Chair and each of its members.

7. Date the sustainability committee report was prepared and date it was submitted to the Board of Directors

The Sustainability Committee prepared this Report on 29 March 2023 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, 29 March 2023