

REPORT OF THE APPOINTMENTS AND REMUNERATION COMMITTEE TO THE BOARD OF DIRECTORS OF ENCE ENERGÍA Y CELULOSA, S.A. PURSUANT TO ARTICLE 529 NOVODECIAS OF THE CAPITAL COMPANIES ACT IN RELATION TO THE PROPOSAL TO APPROVE THE DIRECTORS' REMUNERATION POLICY

1 Purpose of the Report

This report has been prepared by the Appointments and Remuneration Committee of ENCE ENERGÍA Y CELULOSA, S.A. (the "Company") in accordance with article 529 novodecias of the Capital Companies Act ("LSC"), which establishes that the remuneration policy for Directors will be approved by the general shareholders' meeting at least every three years, that it will be reasoned and must be accompanied by a report from the appointments and remuneration committee (hereinafter, the "Report").

Pursuant to article 529 quindecias of the LSC, the appointments committee is responsible for proposing to the Board of Directors of the Company the remuneration policy for directors, as well as the individual remuneration and other contractual conditions of the executive directors, ensuring compliance therewith. Furthermore, article 17 of the Board of Directors' regulations establishes the responsibility of the appointments and remuneration committee to propose a periodic review of the directors' remuneration policy.

In compliance with the foregoing, the Nomination and Remuneration Committee has agreed to submit this report to the Board of Directors regarding the remuneration policy for the Company's Directors, whose approval is proposed to the General Shareholders' Meeting under item sixth of the agenda.

2 REPORT ON THE PROPOSAL FOR THE APPROVAL OF THE DIRECTORS' REMUNERATION POLICY

The Ordinary General Shareholders' Meeting held on 31 March 2022 approved the remuneration policy for the Company's directors, with a period of validity from the approval date in 2022 until and including 2024. Although the term of the policy has not expired, the appointments and remuneration committee has considered it appropriate to propose to the board that it submit to the 2023 general meeting of shareholders the approval of a new remuneration policy.

In this regard, the Appointments and Remuneration Committee has carried out an analysis of the policy taking into account the internal and external factors described below:

Internal factors:

- The results achieved in recent years, including the creation of shareholder value.
- Strategic priorities in the short term and in the long term.
- Internal equity with the remuneration conditions of the management team and all employees.

External factors:

- General recommendations on good corporate governance at national and international levels.
- The practices of comparable sectors and companies and market trends in general.
- Recommendations received in the process of engaging with institutional shareholders and proxy advisors.

Taking into account the analysis carried out, the appointments and remuneration committee considered it appropriate to propose a new remuneration policy which, although it is in line with the current policy approved by the general meeting of shareholders on 31 March 2022 with 98.79% of votes in favour, introduces the modifications detailed below:

a) Remuneration of the Executive Director:

After an in-depth analysis of the chief executive officer's remuneration elements, the appointments and remuneration committee proposes setting the fixed remuneration at €750,000, representing a 12.93% increase

(1.22% in annualised terms since the amount of such remuneration was set in 2013). The reasons for the committee's decision to propose such an increase are detailed in section 2 of the policy and are summarised below:

- The evolution of the level of complexity of the CEO function and the sectors in which the Company operates as well as expansion into new lines of business.
- The need to retain and motivate the CEO.
- The fact that the fixed, short term and long term variable remuneration of the CEO has remained unchanged for the last 10 years.
- The evolution of the remuneration of the Company's staff during the same period and the proposed increase for the CEO.
- The position of the CEO's remuneration compared to comparable companies.
- The significant degree of leverage of the CEO's remuneration package in variable remuneration.

On the other hand, a new framework is introduced within which, in general, the Company's long-term remuneration plans must be approved and within which the new long-term incentive plan for the financial years 2023 to 2027 is included, which the Board of Directors, upon proposal of the appointments and remuneration committee, submits to a vote at the ordinary general shareholders' meeting in 2023.

The new regulation establishing the remuneration policy in relation to long-term variable remuneration mainly seeks to adapt the CEO's remuneration package to the Company's strategic plan currently in force, taking into account the current business context and the volatility of the business in the pulp sector.

In this respect, the long-term incentive plan for the years 2019 to 2023 has become outdated to the same extent as the strategic plan on which it was designed five years ago. The outbreak of the pandemic, the impact of the unfavourable rulings of the National Court (Pontevedra concession), and the war in Ukraine, among other events, have meant that this Plan, the design of which has remained unchanged over the last 5 years, has lost its effectiveness and the objectives established are not adapted to the current context of society.

The Appointments and Remuneration Committee has therefore found it necessary to adopt further measures to maintain the motivation and retention of executives, including the CEO, and to encourage them to create long-term value. The main measure is the approval of the ILP Plan 2023-2027.

Taking into account that the 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, in order to determine the number of shares to be granted in the first cycle of the 2023-2027 ILP Plan, the Board of Directors has decided to extraordinarily extend the period for calculating the average trading price compared to the standard period (average trading price of the Company's shares in the 20 trading days before and after 1 January). In this regard, the average trading price of the Company's shares in the period comprising the 20 trading days prior to 1 January 2023 and extending to 30 March 2023, rounded to two decimal places, has been taken into account. In this way, the share price reflects the revaluation experienced after the favourable ruling on the extension of the concession of the Pontevedra biofactory. Therefore, by considering a higher share price than would have been obtained by applying the standard period, the number of shares to be granted in the first cycle has been reduced.

b) Technical improvements:

The Appointments and Remuneration Committee has also considered it appropriate to make improvements to the format and content of the policy in line with best practice in this area.

c) Period of validity:

This new 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 the general shareholders' meeting of the Company.