


ENCE ENERGÍA Y CELULOSA			
NAME	Sustainability Due Diligence Policy		
DEPARTMENT	BOARD OF DIRECTORS		
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VERSION CONTROL

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## 1. Introduction

Ence, aware of its role and duty to society and the communities in which it operates, conceives sustainability due diligence as a key element for working to protect and safeguard human rights (hereinafter, HR) and the environment (hereinafter, E) within the scope of its corporate responsibility.

Ence (hereinafter "Ence" or "the Company") has reaffirmed its commitment to the United Nations Global Compact, and supports and promotes the 10 principles set out in the Compact regarding human rights, the environment, labour practices and anti-corruption. To this end, this Sustainability Due Diligence Policy follows the principles recognised in international frameworks of reference in the field of corporate due diligence regarding sustainability:

- The United Nations (UN) International Bill of Human Rights.
- The UN Guiding Principles on Business and Human Rights.
- The ILO Declaration on Fundamental Principles and Rights at Work and its Conventions.
- The OECD Guidelines for Multinational Enterprises.
- The OECD Due Diligence Guidance for Responsible Business Conduct.
- The ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy
- UN Human Rights Council Resolution 48/13 on the human right to a safe, clean, healthy and sustainable environment.
- The UN Sustainable Development Goals (SDGs).
- The United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP)

Ence follows the due diligence pillars of the UN Guiding Principles "protect, respect and remedy", providing for the proper identification, prevention, mitigation, monitoring and remediation of possible adverse effects on or breaches of HR and the E linked to its global activity (by causing, contributing and/or direct and indirect association), and define the dialogue and listening processes required to always integrate the perspective of stakeholders, understood as the people, groups or institutions affected by Ence's activity and that can significantly influence it (direct employees and those in the supply chain, local communities, customers, vulnerable groups and natural capital).

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To ensure the effective application of the commitments set out in the international frameworks of reference in Ence's global activity, the Company has developed several policies and management systems that underpin and complement this Sustainability Due Diligence Policy.

Specifically, this Policy cannot be taken in isolation from Ence's Code of Conduct, Crime Prevention Model, Sustainability Policy and Procurement Policy, which regulate Ence's governance system and establish the principles and values that should guide the behaviour of all the Company's professionals, both among themselves and in their relationships with stakeholders.

These documents set out the Company's ethical pillars, ratify its public obligations to respect HR and the E in its global operations and throughout its supply chain, and highlight the importance of collaboration with all stakeholders and the creation of shared value in the long term, both for Ence and for society and the planet.

This Policy is a structuring element that consolidates the approach and defines the HR and E due diligence responsibilities required by the Company of all its employees, suppliers, partners and service companies, together with the principles of action deployed to guarantee and verify compliance. Moreover, this Policy ensures that corporate due diligence guidelines are aligned with the requirements and methodologies of the aforementioned international frameworks, as well as with applicable legislation and Ence's corporate commitments.

## **2. Objective**

The key purpose of this Policy is to ensure respect for HR and E according to internationally recognised standards, by establishing the guidelines that should govern due diligence procedures regarding HR and E, guaranteeing their cross-cutting deployment in Ence's operations and global supply chain.

### 3. Scope of application

This Policy applies globally to all directors, executives and employees at Ence and its subsidiaries. Ence will make every reasonable effort to ensure that this Policy is applied by all third parties that are part of Ence's supply chain, from its direct suppliers and subcontractors to third parties involved in their supply chains, or any other person included at the discretion of Ence's Board of Directors in view of the circumstances applicable in each case.

### 4. Due diligence principles

The principles of action defined in this Policy are aimed at the effective articulation of the Company's HR and E due diligence system, defining the mandatory guidelines to be followed by the parties mentioned in the scope of application section with a view to materialising this commitment and ensuring ongoing improvement in the Company's performance in this area:

1. **Management commitment:** Ence demands the visible commitment of senior management and the entire chain of command to the effective and ongoing implementation of HR and E due diligence, leading by example in their daily management actions, and incorporating risk prevention, mitigation and monitoring inseparably into all business processes, as well as addressing any actual or potential violation through dialogue with the parties involved, and the execution of corrective measures and corresponding remediation processes.
2. **Integration of sustainability due diligence across** all the Company's processes and management systems, including the different functional areas, ensuring its ongoing and effective application in Ence's direct operations and global supply chain.
3. **Periodic assessment of potential risks and adverse impacts linked to Ence's direct operations and global supply chain**, based on their severity and probability, from the perspective of stakeholders and/or the affected environment, taking into consideration the vulnerability of groups such as minors, migrant workers, indigenous peoples, human rights defenders and any other group that may be considered vulnerable due to their condition. This periodic assessment shall be undertaken at intervals of 3-5 years, unless specific circumstances require it to be done more frequently. Ad-hoc risk assessments will be undertaken in the event of significant changes in Ence's operational and supply environment (social tension, natural disasters, mergers, acquisitions, new countries of operation/supply, new business lines,

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etc.).

4. **Establishment, monitoring and documentation of due diligence controls for the prevention, management and mitigation** of the potential risks identified, which must be sufficient for achieving the objectives of this Policy, taking into account the circumstances and Ence's influence in each specific case.
5. **Assignment of duties and resources** to the different functional areas of Ence to ensure the effectiveness of the established due diligence controls.
6. **Articulation of monitoring mechanisms** to assess the application and effectiveness of established due diligence controls through the use of specific qualitative/quantitative key performance indicators (KPIs). Depending on the evolution of these indicators, and in order to reinforce its control over priority risks, Ence will assess the implementation of specific monitoring measures (e.g. inspections at operating centres; on-site audits of suppliers, etc.).
7. **Execution of corrective action plans** when needs for improvement or gaps in risk coverage are identified. The plans will be developed in consultation with affected groups, where appropriate, and will include reasonable time frames for action and qualitative and quantitative key performance indicators to measure their effectiveness.
8. **Establishment of** reliable, transparent, retaliation-free, free and accessible **complaint and dialogue mechanisms** so that stakeholders can communicate and resolve issues and incidents related to potential or real violations of their HR and the E occurring in the Company's sphere of influence.
9. **Implementation of remediation measures** to resolve materialised and proven adverse impacts, returning affected stakeholders and/or environmental settings to the position they were in before the impact, or as close to it as possible (considering individual forms of remediation such as apologies, rehabilitation, restitution, financial or non-financial compensation). In cases where Ence is required to respond to breaches to which the Company is connected through its supply chain, the provision of an adequate response will depend on the influence and level of control Ence had at the time of the impact on the offending party.
10. **Extension of these sustainability due diligence principles to Ence's entire supply chain**, through the application and effective monitoring of this Policy, as well as Ence's Procurement Policy and Code of Conduct in all its

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commercial relations.

11. **Ongoing internal and external dissemination and training** in relation to this Sustainability Due Diligence Policy, providing the required means and training so that Ence employees and interested and affected parties are aware of it, understand it and apply it. The availability of training materials will be ensured for the training of Ence employees, contractors and other agents in the Ence supply chain.
12. **Disclosure and public communication of the results and effectiveness** of the sustainability due diligence processes applied at Ence, as well as, where applicable, the remediation measures implemented.

## 5. Priority areas for due diligence action

Ence has identified the following priority areas for sustainability due diligence, following the guidelines of international frameworks and applicable legislation, under a risk-based approach from the perspective of stakeholders.

The priority areas of action detailed below are those of greatest impact for the Company, taking into account the potential adverse effects that its global activity could have on the stakeholders that are part of its sphere of influence:

<b>Priority Area *</b>	<b>Definition and references</b>	<b>Affected stakeholders</b>	<b>Relationship / Life cycle phase</b>
1. Health and safety incidents	Not having health risk assessment systems in place for employees, including those belonging to vulnerable groups, creating an unsafe working environment due to the lack of adequate health and safety protection measures.	<ul style="list-style-type: none"> <li>• Employees</li> <li>• Vulnerable group - women</li> <li>• Vulnerable groups - other</li> </ul>	Direct and indirect / all
2. Labour rights	Failure to ensure compliance with labour rights as set out in international frameworks (modern slavery) for its own staff and contractors throughout the value chain	<ul style="list-style-type: none"> <li>• Employees</li> <li>• </li> </ul>	Direct and indirect / all
3. Discrimination and harassment	Not having systems in place to ensure that there are no situations of discrimination and/or harassment based on gender, culture, generation, ideology, sexual orientation, skills and capacities, different abilities, and any other personal, physical or social condition, both in their own activities and in those of third	<ul style="list-style-type: none"> <li>• Employees</li> <li>• Vulnerable groups</li> </ul>	Direct and indirect / all

	parties.		
4. Hazardous substances and water pollution	Affecting the alteration of surface and groundwater systems and flows through the use of fuels, lubricants and chemicals.	<ul style="list-style-type: none"> <li>• Local communities</li> <li>• Natural capital</li> </ul>	Direct and indirect / all
5. Contingencies, emergencies and extreme events	Lack of preparedness for contingencies and emergencies (health and non-health) such as: epidemics or pandemics, fires, threats from terrorism or organised crime, natural disasters and adaptation to climate change.	<ul style="list-style-type: none"> <li>• Employees</li> <li>• Local communities</li> <li>• Clients or users</li> <li>• Natural capital</li> </ul>	Direct and indirect / all



6. Poor forestry practices and impacts on ecosystem services	Destruction of ecosystems as a consequence of poor agroforestry practices e.g.: Deforestation, fires, introduction of invasive species.	<ul style="list-style-type: none"> <li>• Local communities</li> <li>• Natural capital</li> </ul>	Direct and indirect / Harvesting - raw material procurement
7. Air and noise pollution.	<p>Affect the modification of air composition as a consequence of atmospheric emissions of dust, emissions from boilers and other emission sources.</p> <p>Emission of pollutants (VOC, NOX, SOX, PM10, CO, etc.)</p> <p>Production of greenhouse gases</p> <p>Generation of odours and noise.</p>	<ul style="list-style-type: none"> <li>• Local communities</li> <li>• Natural capital</li> </ul>	Direct and indirect / Processing / logistics distribution
8. Livelihoods and local communities	Generate negative impacts on the traditional livelihoods of local communities through the transformation of agricultural, fishing and/or gathering areas, as well as the generation of visual impacts that may alter areas of tourist interest.	<p>Local communities</p> <ul style="list-style-type: none"> <li>• Vulnerable group - indigenous people</li> <li>• Vulnerable group - ethnic minorities</li> <li>• Vulnerable groups - other</li> <li>• Natural capital</li> </ul>	Direct and indirect / all

9. Soil degradation	Engaging in practices that lead to soil degradation and erosion.	<ul style="list-style-type: none"> <li>• Local communities</li> <li>• Natural capital</li> </ul>	Direct and indirect / Harvesting - raw material procurement
10. Excessive water consumption	Incurring excessive water use by exceeding the water supply capacity in the areas of operation.	<ul style="list-style-type: none"> <li>• Local communities</li> <li>• Natural capital</li> </ul>	Direct and indirect / Processing / logistics distribution
11. Alteration of cultural heritage	Intervening in cultural, historical or religious heritage sites during the development of the activity, participating in their damage or destruction, or interfering with free access to them by local or indigenous groups.	<ul style="list-style-type: none"> <li>• Local communities</li> <li>• Vulnerable group - indigenous people</li> </ul>	Direct and indirect / all
12. Interference in access to basic resources and public infrastructure.	Inappropriate or excessive use of basic local resources, infrastructure and public services, without taking into account the needs of the local community (water and electricity supply, sewage, waste, roads, etc.).	<ul style="list-style-type: none"> <li>• Local communities</li> </ul>	Direct and indirect / all

## 6. Governing bodies and duties

The **Board of Directors** is responsible for approving, reviewing and, where required, updating this Policy. It is responsible for knowing and monitoring the proper functioning of the due diligence system implemented by Ence.

The **Management Committee** has the duty of disseminating and enforcing the principles of action assumed in this Policy and to ensure that it is adequately disseminated and communicated.

The **Sustainability Committee of the Board of Directors** is responsible for reviewing and proposing updates to this Policy. It is responsible for proposing the framework for the implementation of a robust due diligence system to the Board to guarantee respect for HR and E in Ence's operations and global supply chain, as well as proposing the priorities, objectives, actions and duties required to ensure compliance,

The **Audit Committee** is responsible for analysing any breaches of the system of which it is informed by the Compliance Department and must assess the actions taken in this respect, reporting these to the Board of Directors and duly monitoring the mitigation or remediation plans established.

**The Internal Audit Department** shall guarantee the functioning of the due diligence model.

**The Sustainability Department** will be responsible for reporting to Ence's Board of Directors through its Sustainability Committee on the degree of progress made in compliance with the Policy and the effectiveness of the Company's due diligence processes.

The **CEOs, directors and managers** of Ence's functional areas have the duty of: managing the corresponding risks; deploying controls for their management following the principles of action of this Policy; performing permanent control functions to ensure the effectiveness of these controls; and immediately communicating and escalating any information that comes to their knowledge to the Sustainability Committee and the Audit Committee of the Board that indicates the real or imminent materialisation of a breach of HR or the E.

**All Ence employees** must comply with the principles of action established in this Policy and communicate any information that comes to their knowledge that indicates the real or imminent materialisation of a human rights violation or breach of the E using the established channels.

**The Compliance Department** will be in charge of leading the investigation, in case of an actual or imminent breach of HR or the E, and contacting the relevant department(s) to ensure a proper investigation of the case. If the breach is confirmed, immediate corrective and mitigation measures will be activated to stop the continuation or recurrence of the violation; implementing remedial actions and dialogue where appropriate in collaboration with affected parties and authorities; and taking the following guidelines into consideration:

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- Conduct an analysis of the root cause of the breach and the degree of influence that Ence has had in its materialisation, contributing or collaborating in its remediation when Ence has caused the breach or directly contributed to it, and implementing the appropriate corrective measures to ensure that it does not happen again in the future, assigning duties to the relevant areas of Ence and ensuring their deployment and effectiveness.
- Report to the Sustainability Committee and the Audit Committee of the Board of Directors on the violation and the actions taken. The Committees in turn shall duly report to the Board of Directors.
- Consider the application of disciplinary measures against the Ence employees that are responsible and the actions to be taken regarding third parties involved.

In the performance of the above actions, the Compliance Director may request the collaboration of the required areas of the company (legal advice, human capital, etc.).