

OPERATING REPORT OF THE APPOINTMENTS AND REMUNERATION COMMITTEE FOR FINANCIAL YEAR 2023

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 independent advisor acting as Chair.

In financial year 2023, 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 2023

During the 2023 financial year, the CNR held 5 meetings, with a personal attendance rate of 100% of its members, 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 2023 are described below:

(i) Variable remuneration for Senior Management

The CNR reviewed and reported favourably on the proposal **to meet the 2022 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 2023.

(ii) Remuneration Policy for Directors and Remuneration Report

The CNR reviewed and reported favourably on:

- the **2024-2026 Remuneration Policy for Directors**, which was approved by the General Meeting of Shareholders held on 05 May 2023, and
- the **2022 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 2022 and in the Company's half-yearly financial reports, and agreed with it.

(iii) Recovery of percentage of CEO's fixed remuneration not received in 2021

The Committee reported favourably on the approval by the Board of Directors of the recovery by the Chief Executive Officer of 20% of their fixed remuneration foregone during the 2020 financial year, as the provisions that prevented compliance with the condition established for such recovery have been reversed.

(iv) Long-Term Incentive (ILP)

Regarding **Cycle II of the ILP for the 2019-2023 period**, the CNR members reported favourably on the proposed update of beneficiaries and gave a preliminary assessment of the degree to which the objectives have been met.

The CNR reported favourably on the approval by the Board of Directors of a new **Long-Term Incentive for the 2023-2027 period** as a proposed resolution to be submitted to the 2023 General Meeting of Shareholders.

At the December session, the CNR reported favourably on the proposal to update the beneficiaries of Cycle I ILP 2023-2027 and reviewed the preliminary proposal of objectives corresponding to Cycle II of the aforementioned ILP.

(v) Evaluation by the Board and the Committee

The annual evaluation of the Board of Directors and the CNR for the 2022 financial year was carried out by the CNR in March 2023 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.

Finally, in 2023 the CNR initiated and completed the process of appointing an external advisor to evaluate the Board and its Committees in this financial year, the conclusions of which will be presented in the Committee's performance report corresponding to 2024.

(vi) Re-election of directors

The CNR agreed to report favourably on the re-election of Mr Ignacio de Colmenares Brunet as executive director, analysing the suitability of his knowledge, skills, and experience for the performance of the position in accordance with the Director Selection Policy and the competency matrix.

At the same meeting, it was also agreed to report favourably on the re-election of Mr Colmenares as CEO, Chairman of the Board of Directors, and Chairman of the Executive Committee.

(vii) Senior management assessment and succession planning

The members of the CNR reviewed the Strategic Personnel Plan, the results of the evaluation of the members of the Management Committee, and the succession plans for each of the different positions.

(viii) Modification of the Executive Director's contract

At its July meeting, the CNR reported favourably on the approval by the Board of Directors of a non-significant amendment to the Chief Executive Officer's contract, with the aim of clarifying the wording of some of its clauses, bringing it into line with one of the changes introduced by the 2023-2026 Remuneration Policy.

(ix) Corporate Governance

In March 2023, the CNR reviewed the contents of the **Annual Corporate Governance Report for 2022** and the 2022 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 proposal to update the contents of the Board's Training Plan.

The NRC found that during the 2022 financial year, compliance with the company's **governance rules** has been satisfactory, and that the company's **corporate governance system** is adequate and is updated where appropriate in accordance with new regulatory requirements as assessed by the board and its committees.

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.

(x) 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 March 2023 **the annual evaluation of the Board of Directors and the CNR for financial year 2022** 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.

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

The CNR prepared this Report on 26 February 2024 and provided it to the Board of Directors for consideration in the annual self-assessment of the functioning of the Board of Directors and its Committees, and if appropriate, approval by the Board of Directors.

Madrid, 26 February 2024