Sustainability Report

2023

ence
ENERGÍA & CELULOSA

CONTENTS

INTERVIEW WITH THE CHAIRMAN

GRI 2-22

2023 has been marked by a complex market situation in both the cellulose and energy industries. What is your assessment of the year for Ence?

For Ence, 2023 has been a bittersweet year because, although the company has faced significant challenges, we have also achieved major milestones. Among them, it is worth mentioning that at the beginning of the year, we learned of the ruling of the Spanish Supreme Court, which declared null and void the judgement handed down by the Spanish High Court in 2021, which declared null the extension of the concession of our Pontevedra biofactory. The Spanish Supreme Court's decision cleared up the uncertainty about the future of this facility and the more than 5,000 families linked to its activity and gave us the necessary security to undertake the future plans for this biofactory.

This ruling not only upholds the validity of Ence Pontevedra's extension, but also expressly refers to the company's compliance with environmental requirements, contrary to what the plaintiffs tried to convey outside the judicial process through the media. This shows that our biofactory not only comfortably complies with current regulations, but also stands out for its environmental performance, which has earned us the recognition of entities such as AENOR, which this year awarded us a distinction for these 20 years of caring for the environment in Pontevedra. This recognition is extremely important because it highlights Ence's commitment to environmental excellence and to the environment.

However, this year, we have also had to deal with a context marked by low cellulose prices, which did not start to recover until the third quarter of the year, and low energy sales prices, which have had an impact on our results despite the reduction in the cost of raw materials and transport compared to last year.

What actions has the company taken to compensate for this drop in the price of cellulose? What are Ence's medium-term plans for this business?

Firstly, the focus has been on the reduction of cash cost per tonne, which has been steadily reduced throughout the year and further progress is planned. We have also continued to work on the development and marketing of our differentiated Ence Advanced products, such as Naturcell and Powercell, which are not only more sustainable, but also generate higher margins for the company. Sales of these products have risen by 22% this year.

Ence has also launched a project to diversify its production at the Navia biofactory towards Fluff cellulose, for absorbent hygiene products, with an estimated investment of €30 million. The equipment will be ready to replace up to 125,000 tonnes of standard cellulose with this higher-margin product from 2026. Our target is to reach 50% revenue from Fluff and speciality cellulose sales by 2028.

Ence is also studying the launch of an innovative project for the production of bleached mixed fibre produced from recovered cardboard and paper and virgin cellulose in As Pontes. This

project, which has been declared strategic by the Xunta de Galicia, will allow us to enter the recycled fibre market without increasing wood consumption.

The commitment to renewable energies is gaining weight in Ence's business model. What is your assessment of the 2023 financial year and what are the company's medium-term plans for this line of business?

In 2023, we have recorded lower revenues from energy sales mainly due to the lower average selling price following the update of the regulatory price applicable in the year. In addition, we have had lower generation volumes due to, among other reasons, the major maintenance shutdown of the 50 MW plant in Huelva, which is undertaken every four years, and the extraordinary maintenance work at the Huelva 46 MW and Puertollano 50 MW plants.

However, Ence remains firmly committed to developing its renewable energy business. In this regard, the company has a portfolio of 100 MW in two biomass power projects ready to participate in future auctions and we are also working with potential industrial customers to replace fossil heat generation with renewable heat. The first contract for this new business has already been concluded in 2023. We have also expanded our biomass supply services to meet the growing demand for biofuel production, among other uses.

In the renewable energy business, Ence launched its subsidiary Ence Biogás in 2022 to develop biomethane plants, with a model based on the circular and sustainable management of organic waste (agricultural, livestock or industrial). Ence Biogas aims to develop 20 plants over the next five years, with the capacity to supply more than 1 TWh of biomethane per year. In 2023, we already have a portfolio of 6 projects in the engineering and administrative processing phase, which are scheduled to come on stream in 2026.

But in addition to expanding our presence in the renewable energy industry, Ence has also strengthened its position as Spain's largest private forest manager with the acquisition of SNIACE's forestry assets (more than 3,300 hectares located in Cantabria). In this context, we have continued to work to monetise the ecosystem services provided by our forest estate and in 2023 we have launched new CO_2 sinks for the sale of carbon credits.

In the area of sustainability, what milestones would you highlight for Ence in 2023?

In the area of sustainability, 2023 has been a particularly notable year for Ence, as we have closed the period covered by our Sustainability Plan 2019-2023, with the achievement of most of the objectives we set ourselves at the time for these five years. In parallel, we have worked on the development of a new Sustainability Master Plan for the period 2024-2028, which was approved by the Board of Directors in December and which sets the roadmap for further progress on sustainability, not only by anticipating the increasing legal requirements in this field, but also by ensuring that our operations, product development, supply chain management and social impact are developed in a sustainable manner and aligned with the expectations of our stakeholders. In addition to updating our roadmap, we have also continued to improve our environmental performance, with a specific focus on reducing water consumption and the

odour impact of our biofactories, which in 2023 have reached historic lows. This way, we not only mitigate a potentially relevant climate risk such as the unavailability of water, but also improve our relationship with the environment. We have also made progress in our commitment to decarbonisation, approving a plan that will enable us to reduce our emissions by 70% by 2035. In this regard, it is worth highlighting the steps we are already taking to decarbonise our operations, which have enabled our Navia biofactory to close the year with a ratio of direct emissions per tonne of cellulose that is a historic low. Regarding our commitment to the climate, I would also highlight the boost we have given to the creation of forest carbon sinks, closing the year with more than 50 registered carbon sinks that will enable us to trade CO_2 credits.

In addition, we have continued to make progress on other cross-cutting projects of particular relevance to the company, such as the analysis of the financial impacts of climate risks and opportunities and the approval of a policy and procedure for due diligence with third parties on sustainability, which will enable us to strengthen supervision and reduce the risk of human rights violations and environmental impacts throughout our supply chain.

All our efforts in sustainability have been recognised by numerous prestigious indices and analysts. Thus, in the Sustainalytics ESG rating, we have managed to position ourselves as a leader in our industry for the third consecutive year and Ecovadis has awarded us its highest rating (platinum medal), for being in the top 1% percentile in ESG performance in our industry.

In 2023, Ence also once again reaffirmed its commitment to the United Nations Global Compact. At Ence, we support and promote the 10 principles established by the Global Compact relating to human rights, the environment, labour practices and anti-corruption, both in our own organisation and in our sphere of influence, and we report our progress openly and transparently in our annual sustainability reports.

GETTING TO KNOW ENCE

BUSINESS MODEL

"*Ence's business* ***model*** *is* ***based on circular processes*** *that provide its customers with products adapted to current needs,* ***guaranteeing the sustainability of resources and providing added value****."*

GRI 2-6

Ence's business model is based on the use of renewable and local natural resources for the manufacture of high added value bioproducts and the generation of green energy. Through its activities, Ence offers society renewable alternatives to replace materials from fossil fuels and promotes the decarbonisation of the economy, in line with European and national environmental objectives.

"Ence's business model is based on circular bioeconomy and contributes to the development of the rural areas in its areas of influence"

Ence's business model is circular in nature, as most of the raw materials it uses for its activities are renewable and the vast majority of the waste generated in industrial processes is recovered or reused as secondary raw materials. Ence also contributes to the circularisation of other industries, as it uses agricultural, livestock and forestry waste and by-products as raw materials in its processes. In this way, Ence offers management solutions for waste that, if left unmanaged, can generate negative environmental impacts.

In addition, Ence's business model, based on local resources, contributes to the generation of value and employment in rural areas, so that the company plays a very important role in the fight against depopulation and abandonment in these areas, reindustrialisation and fair transition.

Ence develops its business model through three complementary lines of activity that share the same vision:

FOREST MANAGEMENT

Ence is the largest private forest manager in Spain, sustainably managing nearly 70,000 ha of forestland on the Iberian Peninsula, of which it dedicates more than a fifth of it to conservation.

PULP

Ence is a European leader in the production of eucalyptus pulp and develops special products with an improved environmental footprint that replace plastic from locally sourced wood.

RENEWABLE ENERGY

Ence is the largest generator of renewable energy with biomass in Spain, through its subsidiary Magnon. In addition to generation, Ence Renovables works in the supply of sustainable biomass and offers renewable industrial heat solutions to replace fossil sources. This area also includes the biogas business line.

BUSINESS LINES

*"The **production of cellulose**, a natural and renewable raw material, together with sustainable **forest management** and the production of **green energy** form a perfect puzzle with synergies that allow us to optimise each of these business lines."*

Pulp

Ence, with an installed capacity of 1.2 million tonnes per year, is the leading European company in the production of eucalyptus pulp and is one of the main players in the short-fibre BHKP pulp market.

Ence carries out its cellulose production activity at its two biofactories in northern Spain, one located in Navia (Asturias) and the other in Pontevedra (Galicia). At its plants, Ence applies the best available technologies to pursue **excellence in environmental performance**, which has earned the company the most demanding sustainability seals, such as Nordic Swan and Ecolabel.

In the cellulose business, Ence is committed to developing **special products** with high added value for its customers and with improved environmental profiles, which offer alternatives to plastic products in various applications. For more information on Ence products, see the chapter "Our commitment TO CUSTOMERS".

The cellulose manufacturing process is a clear example of a circular bioeconomy, as it is based on the use of renewable resources to transform them into biodegradable and recyclable materials. The production process is also energy self-sufficient, as it uses the components of the wood that cannot be used to obtain cellulose (bark, lignin) as a source of renewable energy that covers the plant's needs and exports the surplus to the electricity grid. This way, it contributes to the decarbonisation of the Spanish electricity mix and makes use of the entire tree in the process. Moreover, the main chemicals used in the process are also recovered and reused in a closed cycle, thus reducing the consumption of raw materials. As for the waste generated in the process, the vast majority (over 95%) is recovered or reclaimed, which has earned Ence the AENOR “Zero Waste” certification at its two biofactories.

The cellulose production activity also has a positive social impact, as Ence uses local raw materials for its process, thus contributing to the economic and social development of local communities and generating wealth for (mostly small) forest owners, suppliers, transporters, forestry and harvesting companies.

In addition to the production of standard cellulose and special products, Ence has continued working in 2023 on the design, engineering and permitting of **two new projects** in the cellulose area, which will facilitate the diversification of its offer. Firstly, as part of the "Navia Excelente" project, Ence will install a **Fluff cellulose** production line for the absorbent hygiene products industry, thus offering European customers a lower carbon footprint alternative to Fluff cellulose, which is currently mostly imported from the United States and other regions.

On the other hand, Ence continues to make progress in the **recovered fibre project** it is considering starting up in the Galician town of As Pontes, which has been declared a project of strategic importance by the regional government. The first phase of the project consists of a production line for bleached mixed fibre from recovered cardboard and paper and virgin cellulose produced by Ence, with a capacity of 100,000 tonnes per year. This project is not only an example of circular economy, but also a paradigm of just transition, as it will use land that is

part of a thermal power plant that will be decommissioned. The project thus offers quality employment opportunities in a renewable industry in a traditionally industrial environment, hitherto linked to the use of fossil fuels.

Forest management

Ence is the leading private forest manager in Spain, with nearly 70,000 hectares of managed forest area, distributed between the south (mainly in the province of Huelva) and the north of Spain (Galicia, Asturias and Cantabria). Most of the managed forests are owned by Ence, but the company also signs management contracts with private landowners, communities of neighbouring woodlands or local councils. Ence ensures efficient and sustainable use of forest resources in all the forests it manages, both its own and those of third parties, positioning itself as a benchmark for best forestry practices in the industry.

In 2023, Ence has increased its forestry assets following the award of more than 3,300 hectares from SNIACE's assets in the auction held as part of the company's insolvency proceedings. This estate, located in Cantabria, includes, in addition to the forestry area, other assets such as five seed orchards of Eucalyptus Nitens *(E.nitens*) and two commercial species of Eucalyptus Globulus *(E.globulus)*, resistant to the local pests of this crop.

The forestry management of Ence's assets provides raw materials for the other business lines (wood and biomass for cellulose production and renewable energy generation activities), and also provides wood for supply to third parties.

In its management, Ence focuses on **improving the productive capacity** of the forests and their **adaptation to climate change**. To achieve this, Ence applies an integrated forest management system and is committed to research, development and innovation (R&D&I), focusing on genetic and forestry improvement and pest and disease control. Ence is also committed to the production of improved plants in its nurseries, not only for its use in Ence’s forest assetss, but also for sale to forest owners. These upgraded plants, the fruit of years of research, increase the productivity of the plantation and are better adapted to the effects of climate change. In addition to making these improved plants available to forest owners, Ence also provides advice on selecting which type of plant is most suitable for each particular location and shares best practices to optimise silviculture and forest management.

In this regard, in 2023, Ence has launched **Ence Terra**, a Galician company that encompasses all the group's activities related to sustainable forest management: from the management of its own and third-party assets, to the purchase and supply of wood, including advice to landowners, the development and sale of plants in nurseries, research in the forestry field and the ecosystem services that the company has certified. This new vision is accompanied by an ambitious plan to strengthen Ence Terra's relationship with the rest of the companies in the industry (suppliers, collaborators, logistics companies, etc.), with forest owners and with the different administrations. The creation of Ence Terra aims to involve the different actors in the forest value chain and create synergies for long-term growth and development.

Moreover, to boost its environmental values and ensure the sustainability of its plantations, Ence **applies and promotes sustainable forestry certification** through internationally recognised schemes both in its own holdings and in third-party forests. Ence also promotes this certification by setting targets for the purchase of certified wood for its biofactories. In addition, Ence works on the active management of **biodiversity** in its plantations, both in terms of productive surface area and surface area dedicated to conservation.

For more information on Ence's forestry activity, see the chapter "Our commitment TO THE RURAL ENVIRONMENT".

Renewable Energy

The renewable energy business line, structured in the company Ence Renovables, provides the stability of a regulated business to compensate for the cyclical nature of the cellulose business and has been developed by applying Ence's experience in forestry logistics to take advantage of the energy potential of agri-livestock and forestry resources offered by the rural environment in the Iberian Peninsula.

Ence Renovables includes Magnon Green Energy (the Group's first energy subsidiary), Magnon Energy Services, dedicated to the development of industrial heat generation projects, Ence Biomasa, dedicated to biomass trading, and Ence Biogas, created to develop biomethane generation and fertiliser production projects.

Magnon Green Energy

Magnon Green Energy, a company 51% owned by Ence Energía y Celulosa S.A., is currently the largest generator of renewable energy with biomass in Spain, with an installed capacity of 266 MW and an additional portfolio of 100 MW in new biomass projects. Biomass plants use local agricultural and forestry waste to generate energy, which is why installations are concentrated in regions with an abundance of these resources, such as Andalusia, Castile-La Mancha and Extremadura. In addition to the biomass power generation plants, Magnon also has a natural gas-fired cogeneration plant at the Lucena plant.

By taking advantage of these agroforestry residues, Magnon's plants not only generate energy in a fully manageable way (without depending on atmospheric factors such as the sun or wind), but also contribute to solving the problem of waste management in the countryside. By reclaiming agricultural pruning residues or biomass from forest clearing and fire prevention work, Magnon provides farmers and forest owners with a sustainable alternative for the management of their waste, thereby reducing the risk of fire and uncontrolled burning and the environmental and public health problems that this generates. The biomass used in Magnon's plants meets the strictest sustainability criteria. For more information on the sustainability of biomass, see the section "Our commitment TO THE RURAL ENVIRONMENT".

The energy recovered from this biomass is also carried out in a circular process, in which the vast majority of the waste generated (ash) is recovered for use as fertiliser and other applications (manufacture of construction materials, technosols, etc.). Thus, like the biofactories, all Magnon plants have obtained the AENOR Zero Waste certification, which certifies that at least 90% of the waste generated is recycled or recovered.

On the other hand, the biomass energy generation activity also generates a positive social impact on the rural environment, as it offers quality employment both in Magnon's direct activities and throughout its supply chain, revitalising areas affected by depopulation and deindustrialisation. In this sense, Magnon seeks to contribute to a just transition and therefore its new plants make the most of sites of other industrial activities to maintain local employment, as is the case of Puertollano.

Magnon Energy Services

Through Magnon Energy Services (MES), the company offers comprehensive decarbonisation solutions for industrial thermal applications using biomass. This way, MES's customers can decarbonise industrial processes that are difficult to electrify, such as industrial heat generation, using a renewable alternative, generating not only environmental but also economic benefits for their companies and reducing their exposure to fossil fuel price volatility.

In this business model, Magnon manages the entire renewable thermal energy value chain for its customers, from sustainable biomass supply, biomass logistics and treatment, plant design and construction to operation and maintenance and waste management.

Magnon offers its clients its more than 15 years' experience in the operation of biomass assets and boilers and its leadership in biomass supply and logistics, designing a complete logistics plan for each case and adjusting the pace of supply according to the needs of the boiler and the configuration of the client's facilities.
In 2023, MES signed its first heat sales contract for a major food company in Spain.

Ence Biomasa

Ence Biomasa's new line of business is based on the supply of local biomass with guaranteed sustainability to customers who need this fuel for their operations. Ence Biomasa thus leverages the company's leadership in the biomass value chain to supply a renewable alternative to fossil fuels to industrial customers in various industries.

Furthermore, as in the other the biomass-related businesses, the supply of biomass is approached by ensuring its sustainability, through SURE certification and, above and beyond regulatory requirements, by applying Ence's voluntary biomass Decalogue, which covers aspects such as non-competition for biomass with uses such as food. Ence was a pioneer in the development of this self-monitoring mechanism, as well as in the implementation of sustainability standards derived from European renewable energy directives.

Ence Biomasa has extensive experience in the industry, which has allowed it to have a solid knowledge of the biomass value chain, with an adequate capillarity as well as to develop an R&D activity that allows it to continue expanding the catalogue of biomass products to offer its customers. For each customer, Ence Biomasa carries out a study of the availability and quality of the biomass in the area of operation to ensure the quantity and specific characteristics required in each case. To reinforce and professionalise the value chain, Ence Biomasa works with its collaborators, financing the machinery needed to use biomass, supporting its certification and offering training in efficiency and health and safety.

Ence Biogas

In 2022, and with the same vision of harnessing local natural resources to generate bioenergy and bioproducts, the subsidiary Ence Biogas was created.

This company was created to develop biomethane generation and fertiliser production projects. With its business model, based on the use of agricultural and livestock waste, it will promote the circular economy by transforming this organic waste into biogas and its subsequent purification for injection into the grid. In addition, digestate generated after biogas production will be used for transformation into biofertiliser through composting. In addition, as with the biomass energy business, Ence Biogas will contribute with its activity to solving the problem that the management of this waste represents for many agricultural and livestock industries, avoiding the environmental impacts derived from it.

The renewable gas generated in the process (biomethane) will contribute to the decarbonisation of industries that are difficult to electrify and decarbonise. Moreover, the organic fertiliser produced will replace inorganic fertilisers that generate significant environmental impacts in their production and will contribute to agricultural sustainability and soil improvement in the areas where they are applied.

The process is another example of a circular economy and has been designed to be as energy self-sufficient as possible, with self-consumption photovoltaic plants generating most of the electricity required in the process. In addition, the plants are designed to minimise the natural resources used, such as water, and waste generation. Moreover, as in the rest of the Ence Group's businesses, the use of local waste as raw material will be promoted to avoid generating emissions in transport.

In addition to the environmental advantages of the process, biogas plants have an important social impact, as, like the rest of Ence's facilities, they will generate quality employment in rural areas and contribute to a just transition towards the decarbonisation of society.

Ence Biogas aims to develop 20 biomethane plants over the next 5 years with a capacity of around 1,000 GWh per year. In 2023, the company already has a portfolio of 15 projects under development in Spain, 6 of which are in the engineering phase and are expected to be operational by 2026.

Other activities

In addition to these business lines, Ence is also developing **photovoltaic projects** in Spain in the field of renewable energies. In 2021, Ence entered into an asset rotation agreement consisting of the sale to Naturgy of photovoltaic assets located in Jaén, Huelva, Seville and Granada. Under this agreement, 140 MW of photovoltaic power will be sold in 2023 and a further 233 MW will be sold in 2024.

Ence continues to develop photovoltaic projects, with a portfolio of 300 MW in the early stages of development.

ENCE IN 2023

*"**In 2023**, despite the difficulties of the market context, Ence's business model has demonstrated its resilience and has allowed the company to continue to remain a **key and relevant player in its industry**. Furthermore, in 2023, **Ence** has consolidated its position as a **leader in sustainability, positioning itself at the global forefront in this area."***

Ence at a glance - 2023

KEY FINANCIAL FIGURES

€46M PULP EBITDA

€89M GROUP EBITDA

€43M ENERGY EBITDA

-5% VS 2022 CASH COST PULP

KEY FIGURES OF THE OPERATION

PULP

≈ 979 ktAD Pulp sold

3M m^3 Wood consumed

22% sales of special products

ENERGY

947 GWh Electricity sales

>1M tn Biomass

1st industrial heating project in place

LEADERS IN SUSTAINABILITY

- ≈70,000 ha area under management
- >99% recovered waste
- -7% Scope 1 emissions vs. 2022
- -83% LTIFR Magnon vs 2022
- >€850M in payments to suppliers
- >73% of certified wood
- 100% of sites Zero Waste certified
- ≈470 $ktCO_2$ avoided by renewable energy sales
- +15% Women in the workforce vs. 2022
- >95% local suppliers
- ≈22% area conservation and protection of ecosystems
- -6% reduction in water consumption in biofactories vs. 2022
- 600 kt CO_2 removed from the atmosphere by ENCE's forests
- 94% permanent employees
- ≈19,000 Jobs generated
- 84% of certified Ence's forest assets
- > 99% approved agroforestry suppliers
- >90% of certified biomass
- >€3.2M invested in social projects

ecovadis 2023 PLATINUM

MSCI ESG RATINGS A

CCC B BB BBB A AA AAA

Great Place To Work. Certified

FTSE4Good

SUSTAINALYTICS 90/100 at the forefront of the industry

BME X ÍNDICE IBEX GENDER EQUALITY

IBEX® ESG

Financial highlights

The 2023 results in the Cellulose business were marked by the significant cost reductions achieved during the year, reaching €455 per tonne in the fourth quarter, which mitigated the fall in the price of cellulose in Europe, from a peak of $1,380 gross per tonne in the fourth quarter of 2022 to a low of $800 gross per tonne in the third quarter of 2023, maintaining an average operating margin of €52 per tonne, compared to €204 per tonne in 2022.

The European cellulose price started to recover in the fourth quarter of 2023, with a consequent recovery in the operating margin of the business.

Cellulose sales volume exceeded 978,000 tonnes in 2023, 18% more than in 2022, which was affected by the temporary suspension of activity at the Pontevedra biofactory as a result of the drop in the flow of the river from which the plant is supplied during the second half of the year.

Sales of speciality cellulose, better suited to replace long fibre and with better margins, continued to grow to 28% of the total in the fourth quarter and 22% for the year as a whole.

On the other hand, the results of the Renewables business were marked by a 36% reduction in the volume of generation as a result of the fall in the price of electricity markets and as a consequence of the maintenance shutdowns carried out during the year.

EBITDA in the cellulose business was reduced to €46M in 2023 and in the renewables business to €43M, including the sale of two photovoltaic projects in the second and third quarter, with a combined capacity of 140 MW.

The Group's consolidated EBITDA in 2023 was €89M, while normalised free cash flow, before working capital variation, reached €27M despite the fall in cellulose prices.

The change in working capital resulted in a cash outflow of €78M in 2023, explained by the €85M refund in the first half of the year of the excess remuneration received following the adjustment of the regulation applicable to renewable energies in 2022.

Payments for expansion and sustainability improvement investments amounted to €66M in the year. In the cellulose business, the acquisition of Sniace's forestry assets, which includes more than 3,300 hectares of eucalyptus plantations in Cantabria, as well as investments to increase wood cutting capacity in northern Spain and those related to the new water recovery system in Pontevedra to be used in drought situations, stand out.

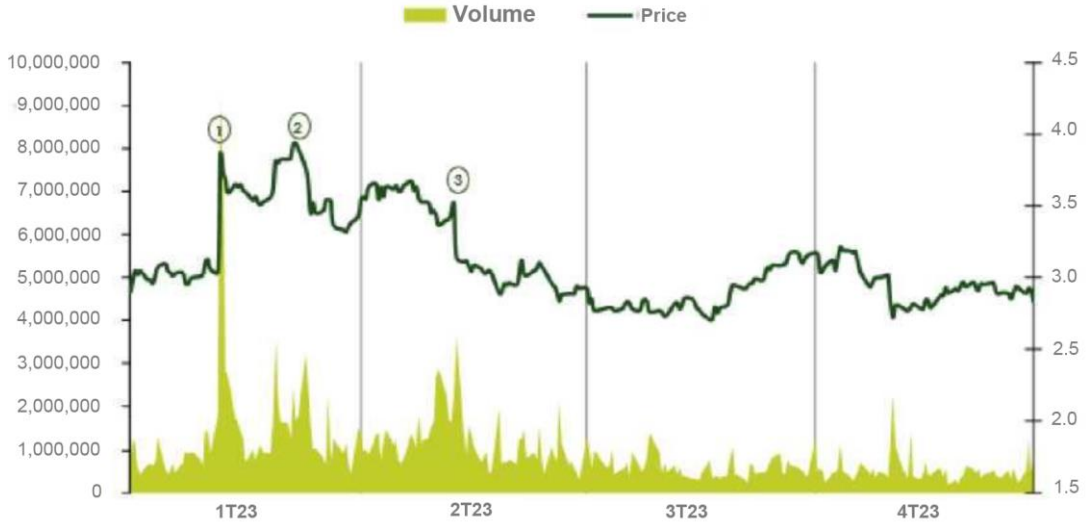
In March and May 2023, the Company distributed dividends of €0.29 gross per share for a combined amount of €140M against 2022 results, which represented a 16% return to shareholders.

However, the Group's net financial debt at the end of 2023 stood at €280M, with a cash balance on the balance sheet of €345M.

Share price

Ence's share capital is made up of 246,272,500 shares with a par value of €0.90 each, represented by book entries and with the same political and economic rights. The Company's shares have been listed on the Spanish stock exchanges and on the Mercado Continuo since its complete privatisation in 2001 and is part of the Ibex Medium Cap.

Ence's share price at 31st December 2023 was €2.83/share, which represents a revaluation of 0.8% compared to the share price at 31 December 2022 or 21.4% adjusting for the two interim dividends of €0.29/share distributed on 16 March and 18 May 2023.



1. On 7 February 2023 the Supreme Court confirmed the validity of the extension of the Pontevedra biofactory concession until 2073. On that day, the share price rose by 27%.
2. As of 14 March 2023, the Ence share will trade excluding an interim dividend for 2022 of €0.29/share equivalent to €70M.
3. As of 16 May 2023, the Ence share will trade excluding a final dividend for 2022 of €0.29/share equivalent to €70M.

SHARE	4T22	1T23	2T23	3T23	4T23
Share price at close of the period	2.81	3.43	2.89	3.17	2.83
Capitalisation at close of the period	692.0	844.7	710.7	781.7	697.4
Ence quarterly evolution	(8.5%)	22.1%	(15.9%)	10.0%	(10.8%)
Average daily volume (shares)	745,786	1,455,322	1,222,432	605,663	551,485
Sector quarterly evolution *	(4.0%)	(10.5%)	(4.4%)	7.0%	(0.3%)

(*) Altri, Navigator, Suzano, CMPC and Canfor Cellulose – share prices in euros

Source: Bloomberg

Generated and distributed economic value

GRI 201-1:

Ence's activity represents an important source of value generation for society in general and, more specifically, for the interest groups of the company. In 2023, the value generated by Ence amounted to €844.3M.

Most of the direct economic value generated by the company is distributed among its stakeholders, such as the company's employees (€83.6M) including suppliers and its shareholders (some €171M).

The figures below show the economic value generated, distributed and retained by the company in the last three financial years:

Direct economic value generated and distributed			
THOUSANDS OF €	2021	2022	2023
Direct economic value generated	841,241	1,017,373	844,272
Economic value distributed	777,546	905,618	941,022
Operating costs	642,836	702,162	661,421
Salaries and welfare plans for employees	67,070	75,875	83,602
Payments to capital providers and shareholders	32,565	90,869	170,851
Payments to governments (taxes, fees, fines)	34,780	36,447	23,431
Investments in the community	294	265	1,717
Retained economic value	63,695	111,755	-96,749

Activities aligned with European taxonomy

Proportion of Taxonomy -aligned sales

2023				Substantial contribution criteria						DNSH Criteria									
Economic Activities (1)	Codes (2)	Turnover (3)	Turnover ratio 2023 (3)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of Taxonomyaligned (A.1.) or eligible (A.2.) Turnover, 2022 (18)	Category enabling activity (19) [iv]	Category transitional activity (20) [iv]
	CCM; CCA; WTR; CE; PPC; BIO + Activity Code	€	%																
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)				Y; N; N/EL[i]	Y; N; N/EL[i]	Y; N; N/EL[i]	Y; N; N/EL[i]	Y; N; N/EL[i]	Y; N; N/EL[i]	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
Electricity generation from bioenergy	CCM 4.8	147,593,977	18%	Y	N/EL[vii]	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	27%	-	-
Cogeneration of heat/cold and power from bioenergy in Navia	CCM 4.20	34,784,387	4%	Y	N/EL[vii]	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	7%	-	-
Production of heat/cold and power from bioenergy	CCM 4.24	1,109,162	0%	Y	N/EL[vii]	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0%[vi]	-	-
Forest management	CCM1.3	16,872,927	2%	Y	N/EL[vii]	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	1%	-	-
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**200,360,453**	**24%**	**24%**	**0%** [ii]	**0%**	**0%**	**0%** [iii]	**0%** [iii]	Y	Y	Y	Y	Y	Y	Y	**35%**		
Of which enabling (iv)		0	0%	0%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	1%	E	
Of which transitional (iv)		0	0%	0%						Y	Y	Y	Y	Y	Y	Y	0%		T
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)				EL; N/EL[v]	EL; N/EL[v]	EL; N/EL[v]	EL; N/EL[v]	EL; N/EL[v]	EL; N/EL[v]								%		
Cogeneration of heat/cold and power from bioenergy in Pontevedra	CCM 4.20	3,405,443	0.4%	EL	N/EL[ix]	N/EL	N/EL	N/EL	N/EL								1%		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**3,405,443**	**0.4%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**								**1%**		
A. Turnover of Taxonomy-eligible activities (A.1 + A.2)		**203,765,896**	**25%**	**25%**	**0%**	**0%**	**0%**	**0%**	**0%**								**36%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non eligible activities		625,836,938	**75%**																
Total (A + B)		829,602,834	**100%**																

	Proportion of turnover/total turnover	
	Taxonomy -aligned per objective	Taxonomy -elegible per objective
Climate change mitigation (CCM)	24%	25%
Climate change adaptation (CCA)	0% [ii]	0%
Circular economy (CE)	0% [iii]	0%
Pollution prevention and control (PPC)	0%	0%
Water and marine resources (WTR)	0%	0%
Biodiversity and ecosystems (BIO)	0% [iii]	0%

(i) Y – Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective . / N – No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective / N/EL – not eligible, Taxonomy-non-eligible activity for the relevant environmental objective.
(ii) Activities 4.8, 4.20, 4.24, 4.1 and 1.3 meet the alignment criteria for both the mitigation and adaptation objectives. However, to avoid double counting, the percentage calculation is allocated in its entirety to the mitigation objective as it is considered to be the one to which they contribute the most.
(iii) The key indicator of aligned Turnover % that conforms to the taxonomy for this objective will be included in the next reporting cycle (financial year 2024), in accordance with the dates set out in Article 5.2 of Delegated Regulation (EU) 2023/2486 which amends Delegated Regulation (EU) 2021/2178 (to be published in 2025).

(iv) The determination of enabling/transitional activities has been made considering the descriptions of the activities included in the Delegated Regulation (EU) 2021/2139, Delegated Regulation (EU) 2022/1214 and Delegated Regulation (EU) 2023/2486 in such a way that, only in the case that the description indicates that it is a enabling or transitional activity, it has been considered as such.
(v) EL: the activity is eligible according to the taxonomy for the relevant objective. / N/EL: the activity is not eligible according to the taxonomy for the relevant objective.
(vi) Activity not included in last year's report (2022) as it is a new activity of the company in 2023 for the Climate Change Mitigation and Adaptation objectives (activity CCM4.24 and CCA4.24).
(vii) Although these activities are eligible and meet the technical screening criteria for both objectives (Cilmate change mitigation and adaptation), by maintaining a common reporting criterion, they are only reported as eligible and aligned with the climate change mitigation objective.

The percentage of sales aligned to the taxonomy criteria has reached 24% of the Group's total sales in 2023. This is a reduction compared to the previous year's figure (35%), mainly due to cellulose sales have gained weight in the Group's total sales during the last financial year. The cellulose production activity is considered ineligible, so sales from this activity are reported as not aligned with the taxonomy.

The largest contributions to the aligned sales figure come from the sales of renewable energy from the biomass generation activity at the Magnon plants and from the biomass cogeneration activity at the Navia plant.

The sales ratio for the activities covered by Delegated Regulation 2022/1214 is detailed below: In the case of Ence, these are only activities related to the production of energy from gaseous fossil fuels, specifically the co-generation of heat and electricity from natural gas at the Lucena plant (Cordoba). This activity is considered eligible and, in the case of Ence, it is considered non-aligned because it does not meet all the technical selection criteria and DNSH criteria applicable to the activity Cogeneration of heat/cold and electricity from gaseous fuels, specifically those relating to CO_2 emissions per kWh generated and those relating to methane leakage.

Ence's exposure to activities related to the production of energy from gaseous fossil fuels in accordance with Delegated Regulation 2022/1214 is included below:

Activities related to gaseous fossil fuels		
4.	The company carries out, finances or is exposed to the construction or operation of electricity generation facilities that produce electricity from gaseous fossil fuels	NO
5.	The company carries out, finances or is exposed to the construction, renovation and operation of combined heat/cold and power plants using gaseous fossil fuels	YES
6.	The company carries out, finances or is exposed to the construction, renovation and operation of heat generation facilities producing heat/cold from gaseous fossil fuels	NO

Eligible economic activities according to taxonomy (denominator)	Amount and proportion					
	CCM+CCA		Climate change mitigation (CCM)		Adaptation to climate change (CCA)	
	Amount	%	Amount	%	Amount	%
Amount and proportion of the economic activity that complies with the taxonomy referred to in section 4.30 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator	0	0%	0	0%	0	0%
Amount and share of other economic activities conforming to the taxonomy not mentioned in rows 1 to 6 in the denominator	203,765,896	25%				
Total Sales	**829,602,834**	**100%**				

Economic activities aligned with the taxonomy (numerator)	Amount and proportion					
	CCM+CCA		Climate change mitigation (CCM)		Adaptation to climate change (CCA)	
	Amount	%	Amount	%	Amount	%
Amount and proportion of the economic activity that complies with the taxonomy referred to in section 4.30 of Annexes I and II of the Delegated Regulation (EU) 2021/2139 in the numerator	0	0%	0	0%	0	0%
Amount and share of other economic activities conforming to the taxonomy not mentioned in rows 1 to 6 in the numerator	200,360,453	24%				
Total Sales	**829,602,834**	**100%**				

Proportion of taxonomy-aligned OpEx

2023				Substantial contribution criteria						DNSH Criteria									
Economic Activities (1)	Codes (2)	OpEx (3)	2023 OpEx ratio (3)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of Taxonomyaligned (A.1.) or eligible (A.2.) OpEx, 2022 (18)	Category enabling activity (19) [iv]	Category transitional activity (20) [iv]
	CCM; CCA; WTR; CE; PPC; BIO + Activity Code	€	%																
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned) [v]				Y; N; N/EL[i]	Y; N; N/EL[i]	Y; N; N/EL[i]	Y; N; N/EL[i]	Y; N; N/EL[i]	Y; N; N/EL[i]	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
Electricity generation from bioenergy	CCM 4.8	22,002,309	55%	Y	N/EL[v]	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	58%	-	-
Forest management	CCM1.3	204,274	1%	Y	N/EL[v]	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0%	-	-
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**22,206,583**	**55%**	**55%**	**0%**	**0%**	**0%**	**0%** [ii]	**0%**[ii]	Y	Y	Y	Y	Y	Y	Y	**60%**		
Of which enabling [iii]		0	0%	0%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	0%	E	
Of which transitional [iii]		0	0%	0%						Y	Y	Y	Y	Y	Y	Y	0%		T
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)				EL; N/EL[iv]	EL; N/EL[iv]	EL; N/EL[iv]	EL; N/EL[iv]	EL; N/EL[iv]	EL; N/EL[iv]								%		
Cogeneration of heat/cold and power from gaseous fuels	CCM4.30/CCA4.30	492,510	1%	EL	EL	N/EL	N/EL	N/EL	N/EL										
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)		492,510	1%																
A. OpEx of Taxonomy-eligible activities (A.1 + A.2)		**22,699,093**	**56%**	**55%**	**1%**	**0%**	**0%**	**0%**	**0%**								**60%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non eligible activities		17,553,956	**44%**																
Total (A + B)		40,253,049	**100%**																

	Proportion of OpEx/Total OpEx	
	Taxonomy -aligned per objective	Taxonomy -elegible per objective
Climate change mitigation (CCM)	55%	55%
Climate change adaptation (CCA)	0%	1%
Circular economy (CE)	0%[ii]	0%
Pollution prevention and control (PPC)	0%	0%
Water and marine resources (WTR)	0%	0%
Biodiversity and ecosystems (BIO)	0%[ii]	0%

(i) Y – Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective S: yes, the activity is eligible under the taxonomy and complies with the taxonomy in relation to the relevant environmental objective. / N – No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective N: no, the activity is eligible under the taxonomy but does not comply with the taxonomy in relation to the relevant environmental objective. / N/EL – not eligible, Taxonomy-non-eligible activity for the relevant environmental objective.N/EL: not eligible, the activity is not eligible according to the taxonomy for the relevant environmental objective.

(ii) The key indicator of aligned OpEx % that conforms to the taxonomy for this objective will be included in the next reporting cycle (financial year 2024), in accordance with the dates set out in Article 5.2 of Delegated Regulation (EU) 2023/2486 which amends Delegated Regulation (EU) 2021/2178 (to be published in 2025).

(iii) The determination of enabling/transitional activities has been made considering the descriptions of the activities included in the Delegated Regulation (EU) 2021/2139, Delegated Regulation (EU) 2022/1214 and Delegated Regulation (EU) 2023/2486 in such a way that, only in the case that the description indicates that it is an enabling or transitional activity, it has been considered as such.

(iv) EL: the activity is eligible according to the taxonomy for the relevant objective. / N/EL: the activity is not eligible according to the taxonomy for the relevant objective.

(v) Although these activities are eligible and meet the technical screening criteria for both objectives (mitigation and adaptation to climate change), by maintaining a common reporting criterion, they are only reported as aligned with the climate change mitigation objective.

The percentage of OpEx aligned to the taxonomy criteria has reached 55% of the Group's total OpEx in 2023. This is a slight reduction compared to the previous year's figure (60%), mainly due to the lower weight of operating costs in the renewable energy area compared to the total.

The largest contributions to the aligned OpEx figure come from the renewable biomass power generation activity at Magnon's plants.

The Opex ratio for the activities covered by Delegated Regulation 2022/1214 is detailed below:

Eligible economic activities according to taxonomy (denominator)	Amount and proportion					
	CCM+CCA		Climate change mitigation (CCM)		Adaptation to climate change (CCA)	
	Amount	%	Amount	%	Amount	%
Amount and proportion of the economic activity that complies with the taxonomy referred to in section 4.30 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator	0	0%	0	0%	0	0%
Amount and share of other economic activities conforming to the taxonomy not mentioned in rows 1 to 6 in the denominator	22,206,583	55%				
Total Opex	**40,253,049**	**100%**				

Economic activities aligned with the taxonomy (numerator)	Amount and proportion					
	CCM+CCA		Climate change mitigation (CCM)		Adaptation to climate change (CCA)	
	Amount	%	Amount	%	Amount	%
Amount and proportion of the economic activity that complies with the taxonomy referred to in section 4.30 of Annexes I and II of the Delegated Regulation (EU) 2021/2139 in the numerator	0	0%	0	0%	0	0%
Amount and share of other economic activities conforming to the taxonomy not mentioned in rows 1 to 6 in the numerator	22,206,583	55%				
Total Opex	**40,253,049**	**100%**				

Proportion of taxonomy-aligned CaPex

2023				Substantial contribution criteria						DNSH Criteria									
Economic Activities (1)	Codes (2)	CapEx (3)	2023 CapEx ratio (3)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of Taxonomyaligned (A.1.) or eligible (A.2.) CapEx, 2022 (18)	Category enabling activity (19) [iv]	Category transitional activity (20) [iv]
	CCM; CCA; WTR; CE; PPC; BIO + Activity Code	€	%																
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)				Y; N; N/EL[i]	Y; N; N/EL[i]	Y; N; N/EL[i]	Y; N; N/EL[i]	Y; N; N/EL[i]	Y; N; N/EL[i]	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
Electricity generation from bioenergy	CCM 4.8	17,310,145	16%	Y	N/EL[ix]	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	17%	-	-
Cogeneration of heat/cold and power from bioenergy in Navia	CCM 4.20	5,946,514	5%	Y	N/EL[ix]	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	3%	-	-
Electricity generation using solar photovoltaic technology	CCM 4.1	160,266	0%	Y	N/EL[ix]	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0%	-	-
Forest management	CCM1.3	29,445,331	27%	Y	N/EL[ix]	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	26%	-	-
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**52,862,256**	**48%**	**48%**	**0%** [ii]	**0%**	**0%**	**0%** [iii]	**0%** [iii]	Y	Y	Y	Y	Y	Y	Y	**46%**		
Of which enabling (iv)		0	0%	0%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	0%	E	
Of which transitional (iv)		0	0%	0%						Y	Y	Y	Y	Y	Y	Y	0%		T
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)				EL; N/EL[v]	EL; N/EL[v]	EL; N/EL[v]	EL; N/EL[v]	EL; N/EL[v]	EL; N/EL[v]								%		
Cogeneration of heat/cold and power from bioenergy in Pontevedra	CCM 4.20	3,311,703	3%	EL	N/EL[ix]	N/EL	N/EL	N/EL	N/EL								0%		
Cogeneration of heat/cold and power from gaseous fuels	CCM4.30	59,734	0%	EL	N/EL[ix]	N/EL	N/EL	N/EL	N/EL								N/A[vii]		
Material recovery from non-hazardous waste: As Pontes Project[vi]	CCM 5.9	1,743,072	2%	EL	N/EL[ix]	N/EL	N/EL	N/EL	N/EL								N/A[vii]		
Production of alternative water resources for purposes other than human consumption	CE2.2	15,555,852	14%	N/EL	N/EL	N/EL	N/EL	EL[viii]	N/EL								N/A[vii]		
Recovery of bio-waste by anaerobic digestion or composting	CE2.5	1,047,292	1%	N/EL	N/EL	N/EL	N/EL	EL[viii]	N/EL								N/A[vii]		
Conservation, including restoration, of habitats, ecosystems and species	BIO1.1	99,400	0%	N/EL	N/EL	N/EL	N/EL	N/EL	EL[viii]								N/A[vii]		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**21,817,053**	**20%**	**5%**	**0%**	**0%**	**0%**	**15%**	**0%**								**0%**		
A. CapEx of Taxonomy-eligible activities (A.1 + A.2)		**74,679,309**	**68%**	**53%**	**0%**	**0%**	**0%**	**15%**	**0%**								**46%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non eligible activities		35,408,641	**32%**																
Total (A + B)		110,087,950	**100%**																

	Proportion of CapEx/Total CapEx	
	Taxonomy -aligned per objective	Taxonomy -elegible per objective
Climate change mitigation (CCM)	48%	53%
Climate change adaptation (CCA)	0%	0%
Circular economy (CE)	0% (iii)	15%
Pollution prevention and control (PPC)	0%	0%
Water and marine resources (WTR)	0%	0%
Biodiversity and ecosystems (BIO)	0% (iii)	0%

(i) Y – Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective S: yes, the activity is eligible under the taxonomy and complies with the taxonomy in relation to the relevant environmental objective. / N – No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective N: no, the activity is eligible under the taxonomy but does not comply with the taxonomy in relation to the relevant environmental objective. / N/EL – not eligible, Taxonomy-non-eligible activity for the relevant environmental objective.N/EL: not eligible, the activity is not eligible according to the taxonomy for the relevant environmental objective.
(ii) Activities 4.8, 4.20, 4.1 and 1.3 meet the alignment criteria for both the mitigation and adaptation objectives. However, to avoid double counting, the percentage calculation is allocated in its entirety to the mitigation objective as it is considered to be the one to which they contribute the most.

(iv) The determination of enabling/transitional activities has been made considering the descriptions of the activities included in the Delegated Regulation (EU) 2021/2139, Delegated Regulation (EU) 2022/1214 and Delegated Regulation (EU) 2023/2486 in such a way that, only in the case that the description indicates that it is an enabling or transitional activity, it has been considered as such.
(v) EL: the activity is eligible according to the taxonomy for the relevant objective. / N/EL: the activity is not eligible according to the taxonomy for the relevant objective.
(vi) The activity corresponding to the revalorisation of non-hazardous waste (As Pontes project) is declared as eligible but not aligned given that as the plant is in the project phase it is not possible to verify compliance with the technical selection criteria for this activity.
(vii) Activity not included in last year's report (2022) or because (a) these are activities for the new objectives published in 2023 in Delegated Regulation (EU) 2023/2486, such as Circular Economy (activities CE2.2 and CE2.5) or Biodiversity (activity BIO1.1); or (b) because they are new activities of the company in 2023 for the Climate Change Mitigation and Adaptation objectives (activity CCM5.9/CCA5.9); or (c) because there was no CapEx in the previous year.
(viii) For activities EC2.2; EC2.5 and BIO1.1, the degree of alignment will be analysed in the next reporting cycle (financial year 2024) in accordance with the dates set out in Article 5.2 of Delegated Regulation (EU) 2023/2486 which amends Delegated Regulation (EU) 2021/2178 (to be published in 2025). However, for this reporting cycle, they have been included in section A2, as the template does not include a specific heading for these activities.
(ix) Although these activities are eligible and meet the technical screeing criteria for both objectives (mitigation and adaptation to climate change), by maintaining a common reporting criterion, they are only reported as eligible and aligned with the climate change mitigation objective.

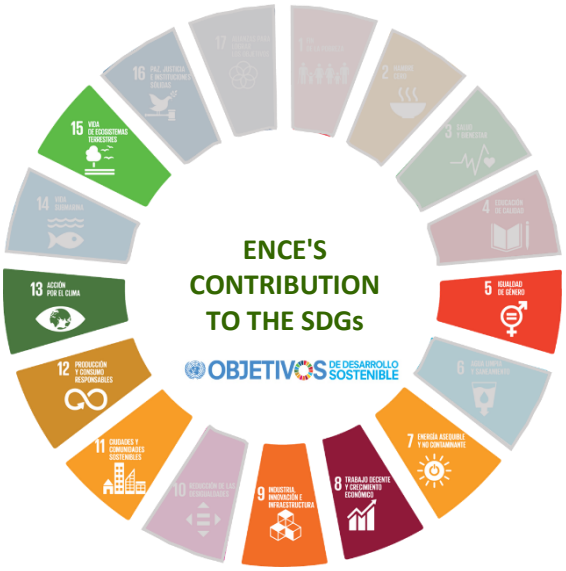
The percentage of CapEx aligned to the taxonomy criteria reached 48% of total Group CapEx in 2023. This is an increase of two percentage points from the previous year (46%). The largest contributions to the aligned CapEx figure come from investments in forestry management and the renewable biomass power generation facilities at Magnon's plants.

It is worth noting that the percentage of eligible CapEx has also increased significantly (68% vs. 46% in 2022). This increase relates in particular to the water recovery activity at the Pontevedra biofactory, which, according to the provisions of the new environmental Delegated Act (2023/2486) published in June 2023, is considered eligible for its substantial contribution to the transition towards a circular economy.

This activity is reported as not aligned with the taxonomy not because it does not meet the technical selection criteria, but because, as stated in the Delegated Act, in the 2023 exercise only the degree of eligibility has to be reported for those activities eligible under the four new environmental objectives. In 2024, the alignment analysis will be performed and reported as aligned if compliance with the established technical selection criteria is demonstrated.

Contribution to the SDGs

Ence's activity contributes both directly and indirectly to the SDGs of the United Nations 2030 Agenda. The main objectives of this contribution and the corresponding impact indicators are detailed below



5 GENDER EQUALITY

Ence promotes the incorporation of women into its workforce, their professional development and access to management positions.

- ✓ 27% female staff (vs. 16% in 2015)
- ✓ 41% women in new hires

7 AFFORDABLE AND CLEAN ENERGY

Ence contributes to decarbonising the electricity mix, generating renewable and manageable energy.

- ✓ Some 470,000 tCO_2e have been avoided thanks to renewable energy generation.

8 DECENT WORK AND ECONOMIC GROWTH

Ence is committed to quality, stable employment and the development of talent, promoting job creation in its value chain.

- ✓ 94% permanent employees.
- ✓ *Great Place To Work* Certification
- ✓ >19,000 jobs generated by its activity

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Ence is committed to the development of special products with improved environmental profiles, in order to offer sustainable solutions to its customers.

- ✓ 22% sales of special products

11 SUSTAINABLE CITIES AND COMMUNITIES

Ence's activity promotes population fixation in rural areas through industrialisation and job creation.

- ✓ 95% local suppliers and 91% local spending
- ✓ €246M in purchases from some 2,100 forestry suppliers

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Ence's activity is based on a circular model offering natural and renewable products and waste recovery.

- ✓ 100% of sites Zero Waste certified.
- ✓ > 99% waste recovery.
- ✓ 6.4 kt of bio-sludge recovered in Navia
- ✓ >280,000 m^3 of water recovered from the WWTP incorporated in the Pontevedra process

13 CLIMATE ACTION

Ence's forest assets are carbon sinks. In addition, its R&D activity enables it to produce plants that are better adapted to the climate.

- ✓ 600,000 tCO_2e absorbed in Ence's forest assets
- ✓ New plant clones that are better adapted to the climate

15 LIFE ON LAND

Ence promotes the sustainable use of forest resources and the conservation of ecosystems in large areas of Ence's forest assets.

- ✓ 73.5% of certified wood.
- ✓ 83.9% of certified Ence's forest assets
- ✓ 21.6% area for conservation

LONG-TERM VISION

MARKET CONTEXT AND STRATEGY

*"Ence's strategy is based on the **complementary nature of its businesses**, offsetting the cyclical nature of the pulp business with the stability provided by the generation of renewable energy in a regulated market."*

GRI 203-1

Ence undertakes its activity based on two main businesses: the production of special cellulose, tailored to the needs of our customers and the generation of renewable energies. They are two separate but complementary businesses. While cellulose production is a cyclical business, renewable energy generation from biomass resources is a regulated business that provides more visibility of revenues. Both businesses are based on circular bioeconomy and have good long-term growth prospects.

Pulp business strategy

Global cellulose demand is growing steadily, driven by positive developments in segments such as tissue paper and hygiene products, especially in developing countries, where per capita consumption of these products is still well below the average in regions such as Europe and North America.

Added to this trend is the ability of cellulose, which is a **natural, sustainable, renewable and biodegradable raw material**, to replace other highly polluting materials such as plastics or synthetic fibres.

In this context, Ence's strategy in the cellulose business involves maintaining its **cost competitiveness and diversifying its production towards pulp and higher value-added products** in order to respond to these growing demands of society, making the most of its competitive advantages in the European market.

Europe is the second largest market for cellulose after China. It accounts for approximately 22% of world cellulose demand, equivalent to approximately 15M tonnes per year. Of these, 9M tonnes are produced in Europe, mainly long-fibre cellulose from pine and a further 6M tonnes of short-fibre cellulose, based on eucalyptus, are imported from Latin America.

Ence's access to **locally sourced eucalyptus timber** from certified responsible sources, in the vicinity of its biofactories, is a significant competitive advantage over other cellulose producers in Europe that need to import timber from other locations that use other wood species such as pine, which have lower yields.

To guarantee the supply of wood, Ence has its own capillary supply team in the vicinity of its biofactories and **directly manages some 70,000 hectares on the Iberian Peninsula**. In them, Ence applies the best silvicultural practices that it promotes in the rest of the industry, improving the sustainability and performance of the plantations. Ence is a pioneer in the development and reproduction of eucalyptus species that are adapted to climate change. It has an advanced R&D programme to improve the performance of its plantations and develop other eucalyptus species adapted to the expected future climatic conditions and resistant to new pests and fungi.

On the other hand, Ence's **proximity to its European customers** gives it an important competitive advantage over other eucalyptus pulp producers located in Latin America, offering its customers a **"just in time" service**, with delivery times of less than one week, compared to more than five weeks from Latin America, thus helping them to reduce the environmental footprint of their products.

In recent years, Ence has developed a range of **special celluloses**, adapted to the needs of our customers, such as Powercell and Naturcell. These are celluloses with better technical properties and a smaller environmental footprint, aimed at replacing long-fibre cellulose. These higher value-added and higher margin products accounted for 22% of cellulose sales in 2022 and the target is to exceed 50% by 2028.

In 2023, Ence approved the project to diversify its production in Navia towards **Fluff cellulose for absorbent hygiene products**, with an estimated investment of around €30M and a target ROCE of over 12%. The equipment will be ready to replace up to 125,000 tonnes of standard cellulose with this higher-margin product, progressively from 2026.

In addition, Ence is currently developing a new range of **moulded cellulose-based** products, capable of replacing plastic packaging in the food industry and thus advancing the circularity of its business model.

Finally, the company continues to make progress in the engineering and processing of an innovative project, located in the A Coruña town of As Pontes, for the production of 100,000 tonnes of **recycled and bleached fibre** based on recovered paper and cardboard, without increasing the consumption of wood. The investment decision on this project is planned for 2025 with a required return on capital employed (ROCE) of more than 12%.

Renewable Energy Business Strategy

The European Union, in its climate and energy policy framework, aims to achieve at least 42.5% of energy consumption from renewable sources in 2030. To achieve this target, Spain plans to triple its renewable energy generation capacity during the period 2020 - 2030, including the increase of 800 MW of biomass generation capacity.

In the same context, the European Union aims to increase its biomethane production tenfold by 2030 to 350 TWh/year. Spain is the country with the third largest biomethane production capacity in Europe, despite its current production only being 3 TWh/year. In order to meet the target, Spain aims to reach a production of 10 TWh/year by 2030.

Ence's renewable energy strategy also involves growth and diversification, leveraging its positioning and strengths in the domestic market.

Ence is the largest generator of **renewable energy with biomass** in Spain. Through its subsidiary Magnon Green Energy, Ence has an installed capacity of 266 MW and 2 projects with a combined capacity of 100 MW with which it will be able to participate in the capacity auctions planned until 2030.

In 2023, Magnon concentrated its leading position in biomass capture, processing and supply in Spain into a single integrated platform with the objective of not only ensuring the availability of sustainable and competitive biomass for all its plants, but also for the **sale of biomass to third parties**.

Moreover, biomass has great potential to decarbonise industry. Biomass thermal power is not only carbon neutral, but can also be more stable and competitive than fossil fuel thermal power generation. Through its subsidiary Magnon Energy Services, Ence signed its first service contract with a major food company in Spain in 2023 and is working with potential industrial customers in Spain to replace their fossil-based thermal energy with **renewable thermal energy**.

In addition, in 2022, Ence set up a new subsidiary, Ence Biogás, to develop and operate **biomethane** and organic fertiliser production plants using a model based on the sustainable and circular management of organic waste, mainly agricultural and livestock waste.

Ence Biogás aims to develop 20 plants with the capacity to supply more than 1 TWh of biomethane per year by 2030, with an expected return on capital employed (ROCE) of more than 12%. At the end of 2023, ENCE Biogas had a portfolio of 6 projects in the engineering and administrative processing phase, which are scheduled to come on stream in 2026.

Magnon also has an internal platform for the **development and sale of photovoltaic projects**. The company has already successfully developed a portfolio of 373 MW of PV projects, of which 140 MW were sold in 2023 and the remaining 233 MW are expected to be sold in 2024. It also has a portfolio of a further 300 MW at an earlier stage of development.

Finally, Ence's forest assets not only produce wood for cellulose, but also capture more than 600,000 tonnes of CO2 from the atmosphere every year. Part of this forest estate produces carbon credits that can be sold on **voluntary CO_2 markets** to help other companies offset their carbon footprint.

It is also important to note that agricultural and forestry biomass is the only source of **biogenic CO_2**, which is a necessary feedstock for the production of green fuels. The ENCE group produces around 6M tonnes of biogenic CO_2 annually and is analysing the feasibility of its use for the production of green fuels in the future.

SUSTAINABILITY AS A STRATEGIC PRIORITY

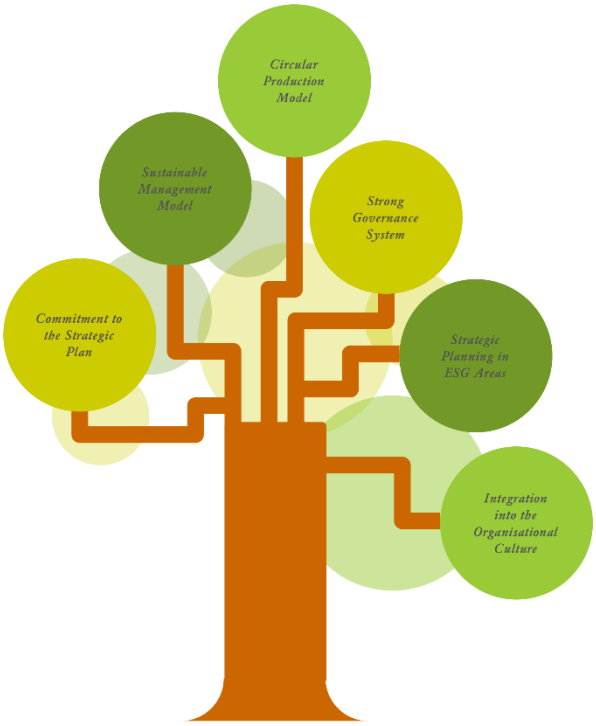
"Sustainability is part of Ence's DNA. It is the backbone of its strategy and business model and the company sees ***sustainability as a key ingredient in creating value, differentiation and competitiveness*** *in an increasingly demanding market."*

Key milestones in 2023

Approval of the new **Sustainability Master Plan 2024-2028**	**Approval of the new Long-Term Incentive Plan (LTIP)** with 25% of variable remuneration linked to ESG objectives	Award of the **Ecovadis Platinum Medal**: In the Top 1% of best companies in sustainability	**Inclusion in the new IBEX® ESG Index** launched by Bolsas y Mercados Españoles (BME)

Sustainability is a strategic priority for Ence. Therefore, the company applies a business model that contributes to the circular economy, promoting the minimisation and reuse of raw materials, and bases its activity on the manufacture of renewable and recyclable products, as well as the generation of renewable energy.

Sustainability at Ence is developed in an integral and strategic manner, being an essential component in the development of its operations and in planning its future. The company takes a cross-cutting approach to sustainability, acting as a strategic backbon.



Sustainability Strategic backbone

Strategic Commitment: Sustainability is incorporated as one of the fundamental pillars of Ence's Strategic Plan, demonstrating its active commitment to the management of environmental, social and governance (ESG) aspects.

Sustainable business model: Ence bases its business model on natural capital, recognising the importance of managing natural resources responsibly.

Circular production model: Ence positions itself as a benchmark in the transition towards a circular production model, focusing on the production of green energy and bioproducts as key elements for a more sustainable economy.

Strong governance system: Ence establishes a robust governance system to support its sustainable initiatives, ensuring a structure that promotes ethical and responsible decision-making.

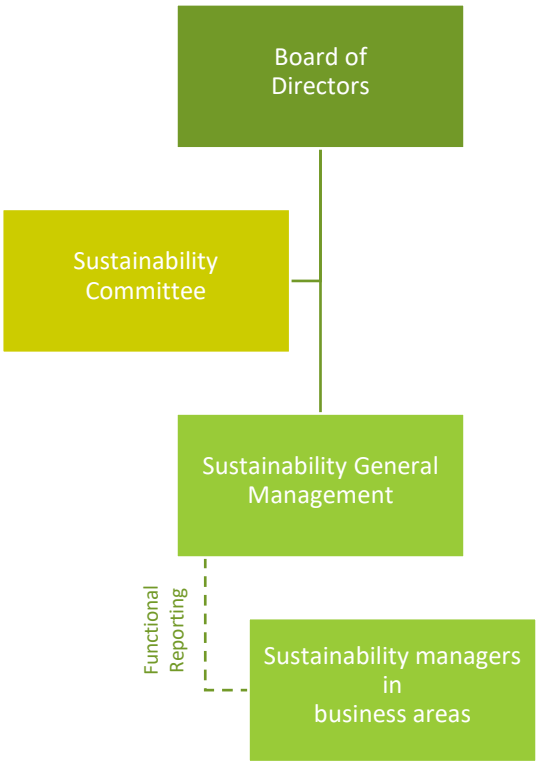
Strategic planning in ESG areas: The company undertakes detailed strategic planning in the environmental, social and governance areas, ensuring consistent and effective management in these areas.

Integration into the organisational culture: Ence is committed to integrating sustainability into the company's culture, promoting environmental and social awareness among its employees and collaborators.

Taken together, these elements reflect Ence's comprehensive approach to sustainability, which has positioned it as a leading company in this area with the aim of continuing to make a positive contribution to today's environmental and social challenges.

Policies and governing bodies

Ence has established its principles of action in terms of sustainability and relations with its stakeholders in its **Sustainability Policy**, approved by the Board of Directors. In addition to this framework policy, Ence has specific policies in different areas of sustainability, such as the **Diversity and Equal Opportunities Policy**, the **Procurement Policy**, the **Health and Safety Policy** and the **Sustainability Due Diligence Policy**, the latter approved in 2023, all of which are available on Ence's website.



In 2018, given the importance of sustainability for the company, Ence established a specific committee on the Board of Directors, **the Sustainability Committee**. This Committee is chaired by an independent director with extensive experience in the management of environmental, social and governance (ESG) issues in industrial companies. The main duty of this Committee is to monitor the sustainability strategy, supervise relations with the company's stakeholders and supervise the information that Ence provides to the market in relation to ESG aspects. The full scope of the Sustainability Committee's functions is detailed in the Ence Board of Directors' Operating Regulations. The commitee meets at least once every quarter and in 2023 it has held a total of 5 meetings. This approach demonstrates Ence's active commitment to the effective and transparent management of sustainability-related aspects of its corporate governance model.

At the executive level, Ence has a **Sustainability General Management**, with a corporate sustainability team in charge of coordinating transversal projects and information reporting, and a number of sustainability **managers in the business areas**, who report functionally to General Management. The Chief Sustainability Officer reports directly to the Chief Executive Officer of the company.

Both the Management Committee and the Board, especially the Sustainability Committee, undertake ongoing monitoring of the **indicators** established in Ence's Sustainability Master Plan and the key projects promoted by the company in this area. These bodies also carry out regular reviews of the company's **climate risk** analysis, as well as possible changes in the **regulatory context** that may affect Ence.

Sustainability objectives linked to variable remuneration

"In 2023, the new 2023-2027 LTI has been approved with sustainability targets linked to variable remuneration"

Strategic priorities are linked to objectives related to the variable remuneration included in the remuneration schemes of management teams. Thus, sustainability performance is incorporated in the 2019-2023 Long Term Incentive (LTI) with 25% of variable remuneration linked to environmental, safety, equality, community relations, growth of products with sustainability attributes, supply chain sustainability and organisational climate. In 2023, the 2019-2023 LTI Plan expired and the new incentive for 2023-2027 was approved, which includes new sustainability targets linked to variable remuneration with a weighting of 25%. This new LTI Plan includes environmental objectives (reduction of water consumption and odour minutes) and organisational climate objectives (synthetic climate index).

Training in sustainability

Raising employee awareness of the importance of sustainability as a strategic pillar is a priority for Ence. In order to integrate sustainability aspects into the organisation's culture, Ence carries out training and awareness-raising activities for its entire workforce every year. In 2023, a total of 563 employees (45% of the workforce) have participated in sustainability training activities.

Likewise, in the "Ence Direct" presentations, the departments explain their projects to the rest of the company. In 2023, an "Ence Live" was held on the subject of "Sustainability as a lever for efficiency" and another in which the company's strategy and projects for the promotion of forest carbon sinks were presented.

Materiality analysis and stakeholder dialogue

GRI 2-29, GRI 3-2, GRI 207-3

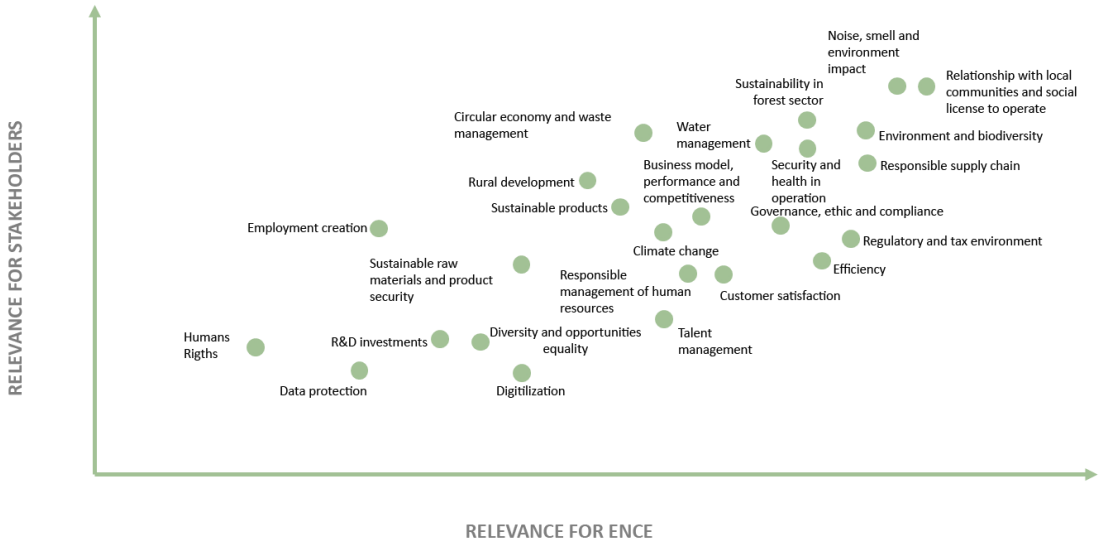
One of Ence's sustainability principles is the creation and maintenance of relationships based on trust and the generation of shared value for all its stakeholders. For this reason, the company has active and fluid communication channels with all of them, in order to learn first-hand about their expectations and concerns and the aspects that are most relevant to their relationship with Ence. Ence's stakeholders are those who are influenced by or exert influence over the company's activity. The following is a summary of the main stakeholders included in Ence's Sustainability Policy and the channels used by the company to engage in dialogue with them:

Stakeholders	Channels of communication
Shareholders and investors	Specific meetings, roadshows, presentations of results, dedicated space on Ence website.
Employees	Intranet, AUNA platform, internal channels and applications, monthly surveys, annual climate survey, breakfasts with the Chairman, internal presentations of results.
Customers	Customer portal, targeted meetings, regular visits, satisfaction surveys, participation in industry events.
Partners and suppliers	ARIBA platform, supplier portal, meetings, training sessions, interviews, focus groups, etc.
Forest owners	Visits to Ence forests, specific website, meetings, participation in industry events, interviews, focus groups, etc.
Public administrations and regulatory bodies	Participation in sectoral associations, meetings, participation in industry events, visits.
Community and environment	Site visits, meetings with local associations, opinion surveys.
Groups of influence (analysts, media, NGOs, etc.)	Meetings, interviews, focus groups.

In addition to these ongoing communication channels, Ence establishes specific communication channels for the launch of new projects under development or to be executed of particular relevance. This way, affected stakeholders can express their opinions and/or possible concerns, which are collected, assessed and incorporated into the project plan.

Ence is also committed to transparency, provides ongoing information to its stakeholders through general channels such as the company's website, annual reports and the environmental declarations of its facilities. It also has an Internal Information Channel, so any interest group can contact the company to report possible breaches of its Code of Conduct and other company policies.

The result of these communication exercises is used to update the **materiality analysis** that Ence conducted in 2019 with a long-term focus (until 2023), the same time horizon as its strategic plan and Sustainability Master Plan 2019-2023.



The most relevant material issues for both stakeholders and Ence are:

- ✓ The relationship with local communities and the social licence to operate.
- ✓ Reduction of noise, odour and other environmental impacts
- ✓ Protection of the environment and of biodiversity
- ✓ Sustainability of the forestry sector
- ✓ Occupational health and safety
- ✓ Responsible supply chain.

These material aspects identified also determine the content of this report in order to respond to the main concerns of stakeholders (see ANNEX I ABOUT THIS REPORT).

In 2023, within the framework of the update of the Sustainability Master Plan (see section *Master Plan and Sustainability Objectives*), a **dual materiality analysis** has been carried out in accordance with the guidelines set out in the new Corporate Sustainability Reporting Directive (CSRD) and, specifically, in accordance with the European Sustainability Reporting Standards (ESRS). These standards introduce the concept of "dual materiality" in order for companies to provide sustainability information on material issues, considering two perspectives: firstly, how material issues may impact the financial performance of the company and its value chain in the long term; and secondly, how the company may affect society and the environment. In this sense, an aspect will be considered material to the company if it is relevant from either perspective. The Implementation Guidance for the materiality assessment published in August 2023 by EFRAG has been followed for the preparation of the dual materiality analysis. The results of this new dual materiality analysis will be reported in the 2024 Sustainability Report, together with details of the new Sustainability Master Plan 2024-2028.

Master Plan and Sustainability Objectives

Sustainability Master Plan 2019-2023

Based on the materiality analysis and taking into account the Sustainable Development Goals (SDGs) of the United Nations 2030 Agenda, in 2019, Ence approved the Sustainability Master Plan (SMP) 2019-2023. The SMP sets out 7 axes of action with specific sustainability objectives for each axis. Below is the detail of the SMP 2019-2023 incorporating the achievement of the objectives at the end of its period of validity:

Main lines of action	Objective	SMP 2019-2023 Achievement	SDGs
Safe and eco-efficient operations	0 accidents	☹	
	100% of plants adapted to best BREF environmental practices	☺	
Climate action	-25% GHG emissions in cellulose per tonne produced	☺	
	Implement TFCD recommendations	☺	
Sustainable agroforestry management	100% of agroforestry resources with a guarantee of sustainable source	☺	
	100% local agricultural and forestry supplies, with guaranteed traceability	☺	
Sustainable product	Development of differentiated products with improved environmental profile	☺	
People and values	100% fulfilment of equality objectives	😐	
	100% of the workforce trained in sustainability	☺	
	100% fulfilment of the development and talent objectives	☺	

Main lines of action		Objective	SMP 2019-2023 Achievement	SDGs
	**Commitment to communities**	100% of the communities with relationship plans	☺	
	**Good corporate governance**	Maintain Ence's Corporate Governance System up to date.	☺	
		Incorporate best practices in good corporate governance.	☺	

Given that 2023 is the last year of the 2019-2023 SMP, Ence has worked on defining the new Sustainability Master Plan for the period 2024-2028, which was approved by the company's Board of Directors in December 2023. The details of the 2024-2028 SMP will be made public during 2024, the first year of the new plan, and will be included in the next year's Sustainability Report.

"The new Sustainability Master Plan 2024-2028 will be approved in 2023"

Annual sustainability objectives

In order to achieve the long-term objectives included in the SMP 2019-2023, annual targets are set for each axis of action. These objectives are revised on a monthly basis by the Management Committee and reported to the Board of Directors. The Board's Sustainability Committee reviews the progress of the objectives on a quarterly basis.

Details of the annual objectives for 2023 are set out below (including those objectives which are considered to be strategic or to have the greatest impact on stakeholders):

Line of action	2023 Yearly objective	2023 Performance
EJE 1: SAFE AND ECO-EFFICIENT OPERATIONS		
Reduction of particulate matter emissions	✓ Values depending on each installation	😐
Reducing water consumption	✓ Values depending on each installation	😐
Odour level reduction	✓ Values depending on each installation	☺
Boost the circular economy	✓ Energy recovery from bio-sludge (Navia) ✓ Waste minimisation/valorisation projects in power plants: plant-dependent values	☺
Reduction of noise levels	✓ Implementation of the Noise Minimisation Action Plan as foreseen in 2023 (Huelva)	☺
Reduction of accident rates (LTIFR and Severity Rate)	✓ Objectives depending on the area (energy, pulp, forestry)	☹
EJE 2: CLIMATE ACTION		
CO_2 emission reduction	✓ Creation of Emission Reduction Plan (power plants) ✓ Methanol project for decarbonisation HC Navia ✓ Project to replace fuel oil with pulverised biomass in Navia	☺
EJE 3: SUSTAINABLE AGROFORESTRY MANAGEMENT		
Timber with sustainability certification	✓ 75% certified tickets	☹
Biomass with sustainability certificate	✓ 80% compliance with the Decalogue on agricultural and forestry biomass and industrial biomasses ✓ 90% of biomass inputs certified according to Grid Directive II (SURE scheme) criteria for power plants and 100% for biofactories	☺
Extension of sustainability criteria to the supply chain	✓ 8 open days held	☺
Forest sustainability in Ence's forest assets	✓ 90% of FSC® certified Ence's forest assets area vs. total certifiable area	☹
Biodiversity protection in Ence's forest assets	✓ 10 new fauna surveys, 6 new flora surveys and 40 monitoring surveys	☺
Active management of conservation assets	✓ >90% of the actions planned for 2023 implemented	☺
Approval of suppliers	✓ 100% approved suppliers	☺

Line of action	2023 Yearly objective	2023 Performance
Valorisation of ecosystem services in Ence's forest assets	✓ 750 ha of Ence's forest assets + 150 ha of third parties registered with carbon sink projects with OECC	😐
EJE 4: SUSTAINABLE PRODUCT		
Positioning in Ecovadis	✓ Reach Platinum level	☺
Sustainability attributes certification in products	✓ Food Safety Certification with ISO 22000 (Navia) ✓ 2 new DAPs (LCA and DAP of ENCELL ECF and NATURCELL Navia) ✓ Development of a carbon footprint calculator for clients	😐
Sales of sustainable products	✓ Target depending on product (Naturcell Carbon Zero, Naturcell Total, Powercell)	☹ (1)
EJE 5: PEOPLE AND VALUES		
Fulfilment of equality objectives	✓ 10 objectives in 2023	😐
Improvement of the organisational climate	✓ Improvement of Trust index	☹
Promoting internal talent	✓ 50% of posted vacancies filled by internal promotion	☺
EJE 6: COMMITMENT TO COMMUNITIES		
Proactive community engagement	✓ 650 visits to biofactories and stand-alone plants ✓ 11 meetings with stakeholders	☺
Reducing the number of complaints from communities	✓ < 16 complaints total group/year	☺
EJE 7: GOOD CORPORATE GOVERNANCE		
Due Diligence System	✓ Publication of Due Diligence Policy ✓ Implementation of Due Diligence system	☺
Update of the Sustainability Master Plan	✓ Approval of the new Sustainability Master Plan 2024-2028	☺

(1) Sales of speciality products have increased to 22% but the ambitious targets in tonnes per type of speciality product set for 2023 have not been met.

Recognition and positioning in ESG indices and ratings

Ence's good performance in sustainability has resulted in the following awards:

In 2023, the ESG rating agency Morningstar **Sustainalytics** has set Ence's score at 90 points out of 100 in the evaluation of sustainability aspects. A result, that places Ence at the head of its industry for the third consecutive year and 6 points above the second best rated company. Sustainalytics is one of the leading ESG analysts. Its rating assesses the performance of more than 15,500 companies worldwide. The analysed ESG criteria take into account environmental, social and corporate governance aspects of companies.

Ence has also received the ESG Rating assessment from **MSCI**, another major international rating agency. Ence's latest rating is at the "A" rating level.[1]

Moreover, Ence's good performance in sustainability has enabled the company to maintain its presence in 2023 in the **FTSE4Good** index. This way, FTSE Russell (the trading name of *FTSE International Limited and Frank Russell Company*) confirms that Ence Energía y Celulosa S.A. has been independently assessed against the FTSE4Good criteria and has met the requirements to become a constituent of the FTSE4Good Index Series. Created by global index provider FTSE Russell, the FTSE4Good index series is designed to measure the performance of companies that demonstrate strong environmental, social and governance (ESG) practices. The FTSE4Good indices are used by a wide range of investors and other financial actors to create and evaluate responsible investment funds and other products.

Ence also voluntarily submits to sustainability performance assessments requested by its customers. In this regard, Ence participates in **Ecovadis**, one of the leading platforms in the evaluation of ESG aspects in the supply chain, which evaluates more than 100,000 companies worldwide. In 2023, Ence was awarded the Ecovadis platinum medal: the highest possible rating. Ence's score places it at the global forefront in terms of sustainability, placing the company in the 99th percentile, ahead of the rest of the companies in the industry.

[1] *Disclaimer statement:*

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In addition, in 2023, for the fourth consecutive year, Ence has managed to revalidate its certification as a Great Place to Work, awarded by the **Great Place to Work®** consultancy, a leader in the identification and certification of Excellent Places to Work. Following a diagnosis of the organisational environment, which included a global employee questionnaire, the company obtained this certification, which certifies that Ence is an organisation with a culture of high trust, capable of attracting and retaining talent. Specifically, the results of the survey reveal the special value that its professionals place on fair treatment regardless of gender, race or sexual condition and the welcome given to new recruits, among other issues.

Ence has also been included in the new **IBEX® ESG index** launched by Bolsas y Mercados Españoles (BME) in 2023, which aims to promote investment with a sustainable approach. This initiative seeks to highlight and support companies that promote sustainable business practices in Spain. To be eligible, companies must be part of the IBEX 35 or IBEX Medium Cap and must have an ESG rating of C+ or higher, according to the 12 possible levels ranging from A+ to D-. In addition, they must comply with the UN Global Compact Principles and meet certain exclusion criteria related to business activities critical to sustainability.

In 2023, Ence remained a member of the Ibex Gender Equality index published by BME, the first index that measures the presence of women in management positions in Spanish companies. This recognises the efforts Ence has been making over the last few years to promote equality.

Ence has also been a member of the United Nations Global Compact since 2010.

RISK AND OPPORTUNITY MANAGEMENT

"***Risk management is one of the levers for protecting value in the long***term*, which is why it is strategic for Ence. Ence applies the most effective governance systems and risk management tools aligned with best market practices.***"**

Management approach

Ence's Risk Control and Management System ("RCMS") is a process integrated into the organisation, focused on identifying, assessing, prioritising, responding to, managing and monitoring situations that pose a threat to the company's activities and objectives. This process involves the participation of different areas of the company with specific responsibilities that cover all of its phases.

Ence's Risk Management System (RMS) encompasses Ence and all of the Group's companies, all of its businesses (cellulose, renewable energy, and forest), and the activities of its corporate areas, and is defined and regulated in the Risk Management and Control Policy and in the Risk Management Procedure approved by the Board of Directors.

Ence's RMS has been defined pursuant to the guidelines of international reference frameworks, in particular, the *Enterprise Risk Management Integrated Framework of COSO (Committee of Sponsoring Organizations of the Treadway Commission)* and is periodically reviewed to incorporate the best practices in this area.

Its operation is defined and regulated in the **Risk Management and Control Policy** and the **Risk Management Procedure**, which have been approved by the company's Board of Directors of the company.

Ence's Board of Directors, with the help of the company's Management Committee, defines the principles of risk management to which the company is exposed and establishes the internal control systems that enable the impact and probability of occurrence of such events to be maintained within the levels of risk appetite determined and accepted by the company.

The Internal Audit Department also verifies adequate implementation of the risk control and management principles and policies defined by the Board of Directors and monitors compliance with the internal control systems implemented in the organisation.

Ence continuously and periodically identifies and assesses new risks. In addition, it monitors the evolution of those risks that have been previously identified. Similarly, risks are terminated or materialised during the process of reviewing and updating the Risk Map. Such monitoring and control aims to ensure the compliance with and effectiveness of the agreed action plans and to have continuous supervision of the company's main risks.

The result of this process is the Risk Register and Risk Map, which are presented to the Management Committee for joint discussion and revision. Subsequently, the Risk Register and Risk Map are submitted to the Audit Committee for approval and subsequent reporting to the Board of Directors.

Ence's Risk Control and Management System, which is fully implemented in the organisation, takes into account situations that threaten the objectives of all the Ence Group's businesses (cellulose, renewable energy, forestry) as well as other activities carried out by the different support areas of the organisation.

This system is a comprehensive process throughout the group, understood as each and every one of the companies in the share capital of which Ence Energía y Celulosa, S.A. has, directly or indirectly, the majority of the shares, interest or voting rights, or in whose governing or administrative body it has appointed, or it has the power to appoint, the majority of its members, in such a way that it effectively controls the company.

The RMS covers risks for the different objectives established by Ence, distinguishing between strategic, operational, reporting, and regulatory compliance objectives. The RMS also establishes different **categories of risks** to be analysed depending on their nature, including financial risks and risks related to non-financial issues, including risks arising from climate change, which were integrated into Ence's RMS in 2023:

- ✓ Environmental risks
- ✓ Risks associated with information for decision-making
- ✓ Financial and fiscal risks
- ✓ Operational risks
- ✓ Organisational risks
- ✓ Legal risks
- ✓ Climate risks

Roles and responsibilities

The different governance bodies and functional areas of the company have been assigned the following responsibilities in the RMS:

Board of Directors	Responsible for the determination of risk management policy, including tax risks, and for the supervision of internal reporting and control systems. With the help of the **Management Committee**, the Board of Directors defines the principles of risk management and establishes the internal control systems that enable the impact and probability of occurrence of such risks to be maintained within the levels of risk appetite determined and accepted by the company.
Audit Committee	Assists the Board of Directors in supervising the internal control and risk management systems, including the internal control systems for financial reporting (ICFR) and the ones for non-financial reporting (ICNFR), environmental, safety and health aspects.
Internal Audit Department	Responsible for supervising the RMS in the company's day-to-day operations, establishing criteria and drawing up procedures for risk management and reporting regularly to the Board through the Audit

Committee. In this sense, the Internal Audit Department also verifies the proper implementation of defined risk management and control principles and policies, and monitors compliance with internal control systems.

Ethics and Compliance Directorate

Reports to the Board of Directors Audit Committee, is responsible for defining and updating Ence's criminal risk map, which identifies the company's activities within the scope of which the criminal offences that must be prevented may be committed.

CEOs, directors and managers of business areas

Responsible for their respective risks and play an ongoing risk management role at the most operational level.

Under this general scheme of action, a correct coordination of all the participants in the different phases of execution, information, monitoring, control and supervision of the measures adopted for risk handling is guaranteed.

Risk analysis and management process

Ence's risk management process is a continuous process. Within this framework, every six months, Ence identifies and assesses any new risks that may have arisen, monitors the risks identified in previous periods and finalises those that are no longer considered a risk. In that same process, it also updates the information relating to the mitigation measures and action plans associated with identified risks.

The main **tools** used in the management process are the **risk register** and the **risk map**. The risk register contains the list of risks identified for the period, while the risk map is the result of the weighting of risks according to two variables: impact and probability of occurrence.

When assessing the impact, the people responsible for the areas responsible for the risks assess the potential seriousness of the risk in gross terms from different perspectives: in terms of health and safety, legal consequences, impact on the environment, economic impact, reputational impact and impact on the organisation's objectives. The impact on each of these stakeholders is assessed on a five-level scale from “insignificant” to “very significant”. In the case of the probability of occurrence, the risks are assessed on a percentage scale of probability of five levels as well, from the "rare" to "almost certain". Once the most relevant risks have been determined, in terms of impact and probability, two additional factors are analysed: speed (time between the occurrence of the risk and its expected impact) and vulnerability (indicative of the effectiveness of the control actions implemented). On the basis of this risk assessment, the area heads establish the appropriate action and control plans to mitigate, reduce or transfer the risk in question. Risk managers then assess the risks from the residual point of view, i.e. the gross risk after mitigating measures have been defined.

Later, and once the Risk Map has been updated with the assessments of the business area leads, it is reviewed by the Management Committee to make the final prioritisation of critical risks and then submitted to the Audit Committee and the Board of Directors for final approval.

Depending on the results of the Risk Map, the Internal Audit Department prepares the **Internal Audit Plan** for the following financial year, which establishes the measures to check that the risks are well assessed and that the actions envisaged in the mitigation plans are being carried out.

The risk category identification exercise carried out in 2023, which will serve as the basis for management in 2024, contains a total of 120 risks grouped into 14 categories, of which 43 have been classified as Critical or Significant. Of these risks, 29% are Environmental, 26% Operational, 18% Legal Compliance, 16% Organisational, 5% related to Climate Change, 4% related to Information Integrity and 4% related to Finance

On the other hand, in 2023, the Audit Committee was presented with the update of the **Risk Management Model** information, highlighting the implementation of a management system by means of files of the most relevant risks, and a methodology to be able to maintain adequate traceability, evaluation and evolution of the same. In addition, a governance model has been defined which directly involves risk owners, risk supervisors and those responsible for action plans, all under the coordination and supervision of the Internal Audit Department. The work carried out consisted of:

- ✓ Holding meetings with the directorates responsible for the management of the critical and significant risks identified.
- ✓ Reviewing the validity of the controls defined as risk mitigants with each of the owners responsible for their execution.
- ✓ Defining and implementing new controls, modifying those that have undergone some variation since their definition, as well as excluding controls that are not in force.
- ✓ Establishing compliance objectives for each of the controls, either the performance of the control itself or, where appropriate, one or more quantitative benchmarks for the performance of the actions committed to by the operation.
- ✓ Monitoring indicators in order to ensure and improve the effectiveness and efficiency of controls, as well as to ensure adequate performance.

In addition, a scorecard has been revised which summarises the evolution of the level of control for each of the critical and significant risks with key risk indicators (KRI) and parameters with the objective of assessing its response to risk. The results are consolidated and reported to the risk owners, the Management Committee and the Audit Committee on a quarterly basis. This work also serves as a basis during the process of reviewing and updating the Global Risk Map, and supports the analysis and evolution of the risks described in the Risk Map, informing through specific risk indicators on the assessment of risk and its possible materialisation. Although it has been undertaken steadily throughout the year, combining the function with the audits and tasks included in the 2023 Annual Plan, the greatest efforts were focused on the second and fourth quarters, coinciding with the half-yearly update of the Risk Register.

The results obtained from the Risk Management Model were shared with the Audit Committee in November 2023, concluding that in most cases, the mitigating measures defined by the risk owners have been implemented and the target threshold is above the defined one.

Furthermore, in collaboration with the Sustainability and Finance areas, Ence participated in the **analysis group created to assess the financial impacts of the risks and opportunities arising from climate change** that may affect the company, as well as the strategy to manage them. To this end, the risks identified have been reviewed, aligned with the climate risks included in the Risk Map and the impact on operational and financial variables has been calculated. Furthermore, a materiality criterion has been established and mitigation measures and their cost quantification have been defined by those responsible for each risk.

Crisis management

In addition to the risk management process, Ence also has a **Crisis Management Protocol**, which defines a common methodology for managing crises arising from Ence's main risks, which are included in the company's Global Risk Map. This protocol also defines the composition of the crisis Committees, the responsibilities of the Committee members, crisis response times, communication actions with stakeholders and crisis monitoring and assessment actions.

Main risks and mitigation measures

Below is a breakdown of some of the main risks that may have an impact on Ence's activity, grouped into the categories defined in the company's RMS. The mitigation strategies and actions defined by the company are also detailed for each risk. Climate risks are detailed in the Climate Change Mitigation section (chapter "With the climate"), although the following table includes the risks that, being of climate origin, can be included in any of the ERM risk categories (such as water unavailability, which is included in operational risks).

Environmental risks	
Risk	Mitigation strategy
Volatility in the **price of pulp**	In response to this risk, Ence is making significant efforts to reduce its production cost levels as the main measure. Moreover, Ence has a Global Risk Committee to mitigate this risk, which periodically monitors the development of the cellulose market. The Committee maintains permanent contact with financial institutions in order to contract, if necessary and the prices are adequate, the pertinent financial and/or relevant by-products to mitigate the impacts of low cellulose prices, both in the short and medium term.
Energy pool price volatility (daily/intraday)	Power generation plants may see their profitability conditioned by the downward variation of the pool price, both in the long term and in the daily to intraday market, with an impact on cash flow. As a consequence, deviations in costs, or possible inefficiencies, constitute a risk that could condition the operation of the plants from the point of view of expected profitability, even the viability of the operation of the plants themselves. To mitigate this risk, the

	company has developed a strategy to manage its plants efficiently in order to optimise production.
Changes in the **regulation of the energy market**	Ence is working to optimise the production levels necessary to achieve the initially estimated profitability despite possible changes in the regulation of the energy market.
Market **share loss**, with respect to contracting demand for products and possible changes in market preferences.	Ence has strengthened its presence in the European market and continuously monitors trends in the pulp market. In addition, the company has designed a growth strategy in high value-added niche markets focused on the development of special products with differential characteristics (*Ence Advanced*).
Fiscal risk, derived from the Public Administrations' fiscal policy.	The Audit Committee periodically monitors the fiscal risks that the company faces in order to help the Board establish a fiscal risk management and control policy. In addition, Ence has dedicated internal resources which, together with a team of expert advisors, have established internal fiscal compliance guidelines and lowered the risk assumed in this area.
Legal risks	
Risk	Mitigation strategy
Potential **non-compliance with regulations**,	Ence defines and implements the investments and projects necessary to adapt its facilities to the regulations and actively participates in the decision-making forums on the newly-applied BREF regulations. On the other hand, Ence has implemented a Risk Management System for the Offence Prevention, certified by AENOR pursuant to UNE 19601:2017. This includes measures and controls to prevent or mitigate, as much as possible, any criminal act committed within our organisation.
Financial risks	
Risk	Mitigation strategy
Exchange rate and **interest rate** volatility.	Ence monitors the foreign exchange market and the evolution of the US dollar and the euro, and links the most important financing operations to fixed interest rates.
Liquidity and capital risk	Exposure to adverse debt or equity market situations could hinder or impede the ability to cover the financial needs required for the proper development of the Group's activities and its Strategic Framework 2024-2028. This is one of the risks that the Ence Group monitors most closely and for the mitigation of which a series of key financial targets have been established based on different scenarios in the short, medium and long term: 1. Ensuring continuity of operations in any cellulose price environment

	2. Supporting the expansion capacity of the various businesses developed through the maintenance of a sound capital structure and an adequate level of liquidity 3. Establishing the appropriate net borrowings based on the potential revenue volatility profile of each of the businesses. In this sense, for the Cellulose Business they have been set at levels of around 2.5 times the recurring gross operating profit considering an average cellulose price and dollar price of the cycle and 5 times in the Energy Business. 4. Diversifying, using the best sources of finance applicable to each business. Each of the company's two businesses is financed and managed individually, taking into account the characteristics of each of them, with no resources or guarantees between them. The Finance General management prepares an annual Financial Plan which encompasses all financial requirements and the way in which they will be covered. Funds required for the most significant cash needs, such as expected Capex payments, debt maturity repayments and, where appropriate, working capital requirements, are identified sufficiently in advance. In addition, policies have been put in place to establish the maximum capital to be committed on promotional projects, prior to obtaining the associated long-term finance.
Trade credit risk in pulp customers.	There is also a Commercial Credit Risk Committee in which the evolution of customers is analysed in detail periodically. Moreover, Ence has contracted insurance that assigns credit limits based on the customer's credit quality and provides coverage for almost all of the Group's cellulose sales.
Organisational risks	
Risk	Mitigation strategy
The risks inherent to Ence's **social and personnel-related issues** with potential damage to workers' health, accidents and injuries at work.	In health and safety, Ence develops occupational risk prevention plans within the framework of integrated management systems in accordance with the ISO 45001 standard, including training and awareness-raising activities and the development of pioneering tools in the industry, such as Particularly Hazardous Work (PHW) and Preventive Safety Observations (PSO). Internal and external audits are also carried out to verify compliance with the applicable occupational health and safety legislation.

Operational risks	
Risk	Mitigation strategy
Risk of **loss of competitiveness** due to increased operating costs.	Ence has established operational efficiency as a priority, by optimising production throughout the entire value chain. Ence has implemented mitigating measures that provide greater bargaining power depending on market events.
Risk of rising **raw material** costs	The response implemented by Ence is to reduce the risk of price variation by regularly monitoring the evolution of the main suppliers by the respective purchasing areas (industrial, forestry or biomass), in order to act accordingly (search for alternative products, identify the most competitive goods and services, improve our negotiating capacity and expand the pool of suppliers), in the event of significant incidents.
Risk of **wood and biomass supply** shortfall	The moratorium imposed in Galicia on the planting of eucalyptus has led to a temporary reduction in the availability of wood in this Community. The risk arising from an insufficient supply of wood has been managed by increasing Ence's presence in the standing timber market and by defining internal or external contingency plans. In terms of biomass, different competing situations in the biomass market can lead to tensions resulting in a lack of sufficient material to supply plants or supply at an uncompetitive price for energy production. The company has put in place different mitigating measures to guarantee the annual supply.
Risk of obsolescence of installations	Without an investment and maintenance plan to address the obsolescence of the production facilities, the achievement of the objectives of the various operations centres will not be guaranteed due to the deterioration of the cellulose and energy production facilities, machinery and equipment in the plants. The response implemented by Ence to manage the risks that could potentially affect compliance with this objective is to reduce the risk associated with the relative age of machinery, equipment and facilities by means of three specific actions: reviewing the civil works at most of the facilities, replacing obsolete or obsolete equipment, carrying out investment plans to address necessary improvements and implementing maintenance programmes to ensure efficient productivity.
Risk of water restrictions in the operational environment	The availability of water resources may lead to total or partial interruption in the supply to Ence's production centres and, therefore, an impact on the Company's income. To mitigate this risk, Ence sets ambitious targets for reducing water consumption at its facilities, which are reviewed monthly by the Management Committee and, periodically, by the Board of Directors, achieving

	notable reductions in recent years. In addition, in 2022, Ence launched a pilot project at the Pontevedra biofactory for the recirculation of effluent from the facility itself and the regeneration of water from the effluent of the municipal WWTP near the plant. In 2023, the pilot project has been completed and progress has been made in engineering and permitting for the final industrial project. The proposed solution involves subjecting the effluent from the plant and the effluent water from the WWTP to reverse osmosis treatment in order to achieve sufficient water quality to incorporate it into the industrial process, a project for which an investment of €15.5M has been earmarked for 2023. At the Navia biofactory, Ence has also designed measures to prevent the risk of unavailability of water resources in order to reduce its dependence on current sources of supply. Ence will invest around €5M in the engineering of the project in 2024 and additional investments will be approved in the coming years to mitigate this risk.
Risk of **strikes by third parties** that could affect Ence	To mitigate this risk, communication policies have been developed with suppliers to anticipate such situations and seek alternatives in good time. In the case of carriers, a joint work and management policy has been defined, improving management and control by means of mobile IT tools, contingency plans and minimum stocks to guarantee operations, improved communication with transport suppliers, as well as a study of the current logistics model.
Risk of **impact of the company's operations on the environment**	Ence's integrated management system ensures continuous improvement in the company's environmental performance, which, together with investments in pollution prevention and control facilities, mitigates the risk of negative environmental impacts. In addition, every year, Ence defines fundamental improvement objectives (FIOs) at its industrial facilities for those priority environmental vectors: reduction of odour and noise impact, improvement of air quality, improvement of effluent quality and reduction of the carbon footprint and water consumption. In the forestry area, to mitigate the risks of possible negative impacts of its activity, Ence applies and promotes sustainable forest management systems in its supply chain in line with the highest international standards.
Risk of **non-availability of critical facilities** at Magnon's independent power plants	If the Magnon Industrial Plan is not implemented in a timely manner, or if the critical plant installations and equipment (generators, boilers, turbines, etc.) necessary for the operation of the plants are not properly maintained, this could affect the achievement of the objectives due to the deterioration of installations, machinery and energy production equipment. This risk has materialised in 2023. To mitigate this risk, Magnon monitors the civil works at most of the facilities, replacing obsolete

	or obsolete equipment, implementing investment plans to address necessary improvements, and implementing maintenance programmes.

Further information on the bodies responsible for preparing and implementing the Risk Control and Management System, risk tolerance levels and the main risks identified by the company during the year can be found in the corporate governance reports published annually by Ence.

INNOVATING TO CREATE VALUE

"Ence is aware that only by incorporating innovative, transformative and sustainable processes and products into its business can it guarantee its competitiveness. Therefore, ***research, innovation and digital transformation are key elements*** *in its strategy"*

Key milestones in 2023

New research line to produce **moulded fibre products**.	**As Pontes project**: innovative process for obtaining bleached cellulose fibre from recovered cardboard.	**Development** of models based on ***Machine Learning*** for the optimisation of industrial processes.	**New Cybersecurity Plan 2024-2025** encompassing both IT and OT technology.	**0 cybersecurity incidents** that have compromised the company or its employees.

Research, innovation and digital transformation are the cornerstones that guarantee Ence's competitiveness and act as driving forces enabling the company to improve processes and take advantage of new opportunities that arise throughout its value chain: from the improvement of forest plantations, through the development of bioproducts and bioenergy, to the use of digitisation for process optimisation.

Ence structures its R&D&i and digitalisation activities in three areas: industrial and forestry innovation in the business lines (biomass, cellulose and forestry), digital transformation and cybersecurity.

Industrial and forestry R&D

Innovation in its business lines marks the path of Ence's growth, encompassing research and study of both areas of improvement in current processes and the development of new products and pioneering services in the biomass, cellulose and forest management business.

R+D Biomass

Magnon Green Energy focuses its R&D initiatives in the field of biomass, identifying new resources with potential for valorisation and designing optimal operations and logistics for their use. This way, the company contributes to the reduction of environmental impacts derived from the inadequate management of agricultural and forestry waste, while at the same time promoting the energy recovery of local renewable resources. In addition, this strategy enables diversification of supply sources, providing greater flexibility and reducing dependence on specific biomasses.

In 2023, the company's efforts are focused on the following projects:

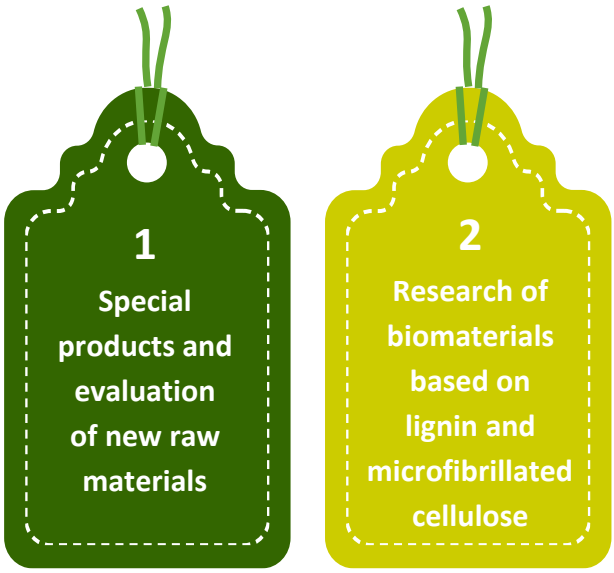
- **GEACAM Project**: In 2022 and 2023, GEACAM (public environmental management company of Castile - La Mancha) has developed a research project consisting of a series of field tests for the design of methodologies and selection of the optimal machinery for the recovery of forest residues from forest fire protection works. The results have been very positive, providing an important source of residual forest biomass. In view of the good results, the company has participated in the public tenders called by GEACAM, and the joint venture set up for this purpose was awarded one of the tendered lots. The work will be undertaken in Ciudad Real over the next two years and will consist of shredding forest residues with mechanical means and will serve to demonstrate the profitability of the valuation of this material.

- **Inertes Project**: in 2023, a project has been developed to reduce the amount of inerts that arrive together with the biomass at the energy generation plants, guaranteeing their return to the land and thus helping to prevent their degradation. The project aims to design screening technologies that will enable the material to be cleaned during the harvesting process. Fixed screens have already been designed and built with good results. By 2024, work will be done on the development and construction of screening systems that can be coupled to the pre-shredders, so that the material is screened at the end of the pre-shredding process, separating the woody material from the fines and returning it to the soil.

- **Project for the consumption of new biomasses in power generation plants:** In 2023, Magnon obtained temporary authorisation for consumer testing of untreated and heat-treated wood packaging, particularly pallets, at the Mérida and Puertollano plants. Tests have been successful and final authorisation has been applied for to consume these materials in these plants.

Pulp R&D

In the pulp business, R&D work focuses mainly on the following areas:



Special products and evaluation of new raw materials

This line of work focuses on the design of special cellulosic products with improved properties and the search for raw materials that offer improvements in sustainability.

In this respect, Ence has continued to develop new product categories under the umbrella of the **Ence Advanced** brand. Particularly noteworthy are products with the ability to replace long fibre and those that replace plastic materials in various applications. These emerging products present sustainable alternatives for various industries. New developments are detailed in the section “Our Commitment TO CUSTOMERS”.

In this context, it is important to highlight Ence's achievements in the development of an innovative process to obtain bleached cellulose fibre for the tissue market, using recycled cardboard as raw material. Several pilot scale tests have already been carried out with very satisfactory results and the project is in the engineering phase. The plant will be built in the Galician town of As Pontes.

"As Pontes project: innovative process to obtain bleached cellulose fibre using recycled cardboard as raw material"

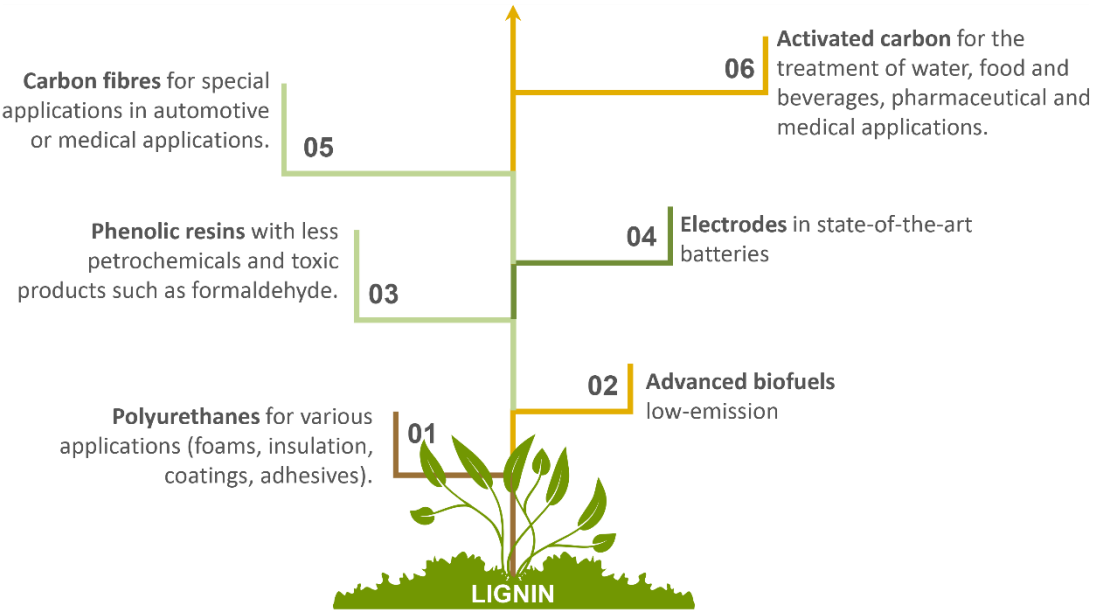
On the other hand, in 2023, in collaboration with Bodega Matarromera and Pago de Carraovejas, the **Vinebox project** was launched. This project, financed by the CDTI, seeks to offer sustainable solutions for the integrated and cascading recovery of vine pruning waste, in compliance with the requirements of the new Act 7/2022 on Waste and Contaminated Soil for a Circular Economy, which does not allow the burning of plant waste generated in the agricultural environment. The consortium aims to promote the collection and collection of vine shoot prunings in the wine industry for the production of renewable cellulose pulp. The material produced will be used in the manufacture of cardboard for the production of wine boxes and for the design of novel labels of a 100% renewable nature. In this project, Ence has the collaboration of Papelera de Brandia, IATA and ITENE.

Biomaterials research

This line of work focuses on the development of advanced biomaterials, mainly based on lignin and microfibrillated cellulose.

Aware of the potential of wood-derived resources to produce sustainable materials with high added value, Ence has been working for several years on research projects focused on the valorisation of **lignin**, one of the most abundant natural polymers with the most promising applications.

Lignin can thus be used as a basis for the production of the following materials, among others:



Some of the main R&D&I projects developed in 2023 include:

- ✓ **DICKENS Project:** Project that focuses on comprehensive research and optimisation of composite materials from natural sources. In the framework of this project, Ence will develop polyurethane (PU) foams, non-isocyanate PU (NIPUs) and thermoplastic polyurethanes (TPUs) for additive manufacturing. The project will also investigate the application of lignins in the production of epoxy bio-resins, epoxy/polyurethane coatings, encapsulated bio-additives (microlignin and nanocellulose), polyester bio-filler, PU bio-composites. The project is being developed in the Pontevedra biofactory with financial support from CDTI.

- ✓ **BITUMINA Project:** This project studies the application of lignin in asphalt bitumens. Its objectives are to reduce the carbon footprint of the resulting asphalt materials and to improve the durability of the pavements. Ence participates in this project in consortium with the company Misturas and with the collaboration of CETIM. Funding has been requested from the CDTI.

- ✓ 2022 brought the end of the **NOVACELL project**, the objective of which was to achieve the development of micro and nanocellulosic materials from cellulose pulp and its suitability for applications in the chemical industries, the production of plastic-composites, paper, packaging, cosmetics and water treatment. This project was supported by the CDTI through a CIEN grant. In 2023, as a continuation of the project, investments have been made to increase the capacity of the microfibrillated cellulose manufacturing plant, which will enable larger-scale testing.

- ✓ To offer solutions that minimise single-use plastics, Ence has opened a research line for the production of **moulded fibre** products. In this line, the treatment of fibres and the application of barriers necessary for the functionality of the packaging will be studied.

Other activities

Ence, in collaboration with other companies, is also studying the direct use of black liquor as a base raw material for application in the formulation of fertilisers.

Forestry R&D

Ence's Forestry R&D team has continued with the programmes it has been carrying out in recent decades, focusing its efforts on the fight against the main phytosanitary problems in forest stands caused by fungi and insects. To this end, the plant material base of the **genetic improvement programme**[2] and the development of breeding techniques to ensure and accelerate the propagation and reproduction of the improved genotypes on an operational scale have been further expanded.

In 2023, the genetic base of the genus *Corymbia* has been expanded with the addition of 200 new hybrid families of the species *C. citiodora, C. variegata* and *C. torelliana*to the programme.

"In 2023, the genetic base of the genus Corymbia has been expanded with 200 new families"

Also this year, 2 commercial clones of *Eucalyptus globulus* (Cabanzón281® and Jarro281®) and a family of seed parent trees improved for their resistance to *Teratosphaeria nubilosa* comprising 98 grafted clones have been acquired.

The definition of this strategy has been developed taking into account the analysis of the impacts linked to the **climate change scenarios** established by the IPCC. This way, the assessment of climate risk associated with variations in precipitation and temperature patterns are used as criteria in the selection and location of the species and genetic materials used in the reforestations undertaken in the forests that make up Ence's forest assets.

In this regard, in 2022, Ence initiated a collaboration project with the Universities of Huelva and Santiago de Compostela to develop high-precision models to estimate the **impact of climate change on productivity in the areas where Ence operates in the Iberian Peninsula,** which has continued throughout 2023 with the improvement of the models through empirical data collection on the study plots.

For the **control of the infestation** caused by *Gonipterus platensis*, work has continued on improving technologies and tools for the control of insect populations by means of biological control and the synthesis of aggregation pheromones. It should be noted that, as a result of this line of work, parasitoid production has reached a parasitism rate of over 80% in 2023, an increase of 29% over the previous year, which has doubled the area treated.

[2] Ence's genetic improvement programme consists of selecting those individuals or hybrids that are best adapted to the climatic conditions or stand out for their resistance to pests and diseases. No genetic modification techniques are used and Ence does not work with GMOs (genetically modified organisms)

Moreover, in 2023, work has continued in collaboration with companies, institutions and universities to incorporate **fungal resistance** tests and the development of new pest control technologies. In this regard, Ence continues its collaboration with CLONAR Resistência a Doenças Florestais®, a spin-off of the Federal University of Visoça located at the Technological Centre for Regional Development (CENTEV-UFV) in the state of Minas Gerais (Brazil) to identify early material resistant to the disease caused by *Teratosphaeria nubilosa* by means of laboratory tests. In 2023, 294 plants belonging to 82 seed lots of *Eucalyptus globulus* have been evaluated, identifying and selecting a total of 75 plants as highly resistant to the fungus (severity <12%).

"In 2023 , the first field tests have been carried out to evaluate the effectiveness of the first pheromone that attract the Gonipterus platensis insect"

Similarly, Ence collaborates with the University of Santiago de Compostela through the Department of Organic Chemistry for the synthesis of semiochemicals that attract the insect *Gonipterus platensis*. In 2023, the first field tests have been carried out to evaluate the effectiveness of the first pheromones identified and synthesised in this project.

In addition to addressing pest and disease control, Ence's forestry R&D efforts focus on forest **improvement**. In this area, the company has implemented a new system for assessing the fertility levels and nutritional needs of plantations. This system relies on the results obtained from the monitoring of the nutritional status of the plantations and soil sampling. Throughout 2023, the work started in 2022 was continued, consisting of sampling in each canton of the reforested forests. The results obtained from these samplings have been used to design the most appropriate nutritional prescription, applying products more efficiently and at times of maximum physiological assimilation. This approach takes into account the balanced interaction between climate, soil and plant characteristics.

As a summary of forestry R&D activity in 2023, the following milestones can be highlighted:

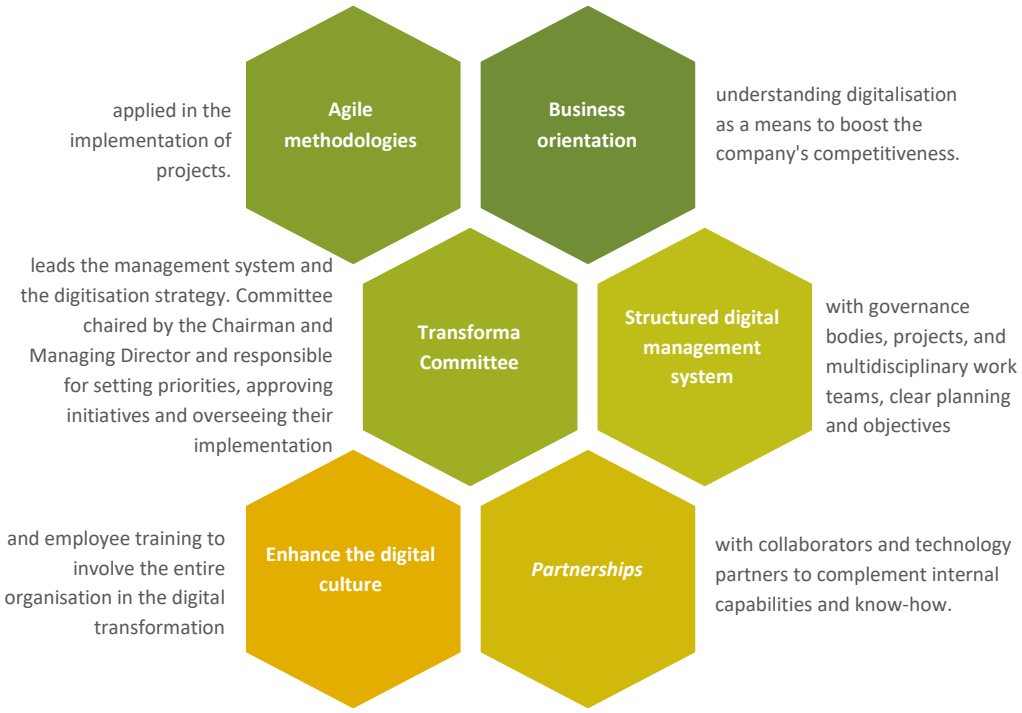
- ✓ The installation of **26 new experimental plots** where a new collection of Eucalyptus and Corymbia materials is being tested. With the trials installed this year, the experimental network has been extended to a total of 174 plots with a total area of over 200 ha on which some 640 different plant varieties are being tested.
- ✓ The development of cascade production for the **first *Eucalyptus globulus* clone** of the 3rd generation of the breeding programme for the species.
- ✓ The evaluation and pre-selection of **4 new *Eucalyptus globulus* clones** for their resistance to the fungus *Teratosphaeria nubilosa* with the consequent evaluation and characterisation of the fungus resistance of commercial and elite clone populations.
- ✓ The evaluation of the initial growth of the ***Eucalyptus nitens* improved seed** family and seed lot trial network and its use to improve the estimation of breeding values of seed lots used in commercial plantations.
- ✓ Implementation, on an operational scale, of the **technique of physiological selection of recalcitrant clones** for breeding development on a commercial scale.
- ✓ The **characterisation and nutritional evaluation** of a total of 688 ha corresponding to 34 cantons of Ence's forest assetswith reforestation works during the year.

Ence's R&D developments are transferred to the rest of the forestry industry through dissemination conferences, private collaborations for the installation of tests and the participation of the team of researchers in the **Showcase Project** launched in 2022 and extended in 2023, with which Ence invites other forest owners and other stakeholders in the forestry industry to learn first-hand about its forest assets and the research and development activities it carries out there.

Digital transformation

Ence continues to boost a digital transformation process at all levels of the company, **focused on ongoing improvement** and maximising value creation in all industrial and management processes.

PRINCIPLES OF DIGITAL TRANSFORMATION AT ENCE



Digitisation of management processes

Ence's management process digitalisation model integrates the contributions of technological partners with the ideas and proposals for improvement that arise internally from the functional areas themselves. In this area, the following actions have been developed in 2023:

- ✓ **Digital support in the new businesses and strategies of the Company**: Ence's systems have been rapidly adapting to new needs in terms of the creation of new companies and businesses within existing companies or new operational processes. Examples of this have been the development of the new Biogas unit or the Biomass *Trading* and *Heating* businesses.

- ✓ **Digitalisation of the tax function**, improving efficiency and security in the fulfilment of all tax obligations, through the implementation of a global solution that covers all the Group's needs in this area.

- ✓ **Focus on the digitalisation** of paper-based processes such as the **management of Work Permits**. In 2023, the digitalisation of work permits has begun in some industrial plants, facilitating the issuing, signing and consultation of these permits from electronic devices, reducing processing and information consultation times.

"The digitalisation of work permits has started during 2023."

- ✓ **Digitalisation of Ence's forest assetsplanning processes** by developing the following initiatives:

  - Implementation of new methods for calculating the stock of plant material based on the measurements of the Ongoing Forest Inventory.
  - Development of a new long-term planning tool, integrating forestry and harvesting processes.
  - Development of a new tool for the short-term planning of felling, allowing a detailed breakdown of felling both in terms of time and the different products and by-products of said felling.
  - Integration of the above processes with the Valuation of Assets and exploitation of the results in the corporate reporting tool, SAP BW4.

- ✓ **Simplification and unification of Forestry Logistics applications**, modernising them and making them simpler and more usable for users managing the entire timber logistics chain.

- ✓ Re-engineering and simplification of the Forestry Operational Processes **in SAP,** with the aim of making processes and monthly closures clearer and easier to trace in all operations from the time the timber is purchased until it is stored or consumed in the factory.

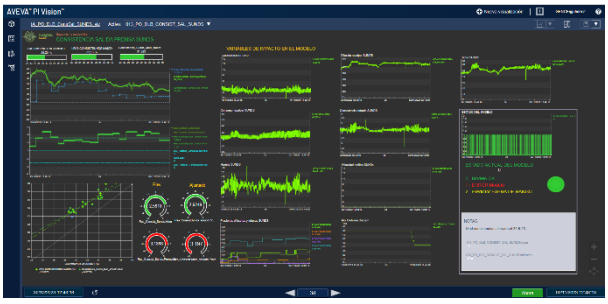
Digitisation of industrial processes

Ence's digital transformation strategy also encompasses industrial processes, with the aim of safeguarding and optimising the operation of the group's industrial assets. This means improving performance and efficiency, allowing for the anticipation of failures or unscheduled downtime, which contributes to increasing the reliability of production processes.

In the industrial context, the following have been the main lines of action in 2023:

- ✓ **Maintenance 4.0:** Ence continues to scale up projects for the sensorisation of critical equipment (rotating equipment, distribution cabins and electric drives) and the centralisation of all asset health information in *AVEVA's PI Vision* platform.

- ✓ Ence is committed to **data science**, and in 2023, Machine Learning-based models were developed to optimise industrial processes and reduce their variability. Some of the use cases have been models capable of predicting environmental variables or the creation of virtual instruments *(soft sensors*) at points in the process where there is no physical measurement of a variable.



"Machine Learning-based models for the optimisation of industrial processes have been developed in 2023"

- ✓ **Digitalisation of the Parts and Instructions Processes**, registering in the system both the instructions for the management of the installation and the work reports so that the next change of shift can know the situation of their area and of the whole plant. The application facilitates and improves the transition process between work shifts, and enables the recording and sharing of important work-related information, such as quality issues, outstanding tasks, and any other relevant details. Easy access to information from biofactories has facilitated faster and more accurate decision-making.

- **Mobility** is also a clear commitment of Ence as part of its digitalisation strategy. Thus, in 2023, a system has been implemented that enables maintenance tasks such as inspection routes to be carried out using mobile devices and issuing of warnings in the field.

- **Automation of all wood, raw material and waste weighing processes**. This project has digitalised the weighing processes in the scales of the biofactories, improving the control and management of documentation (delivery notes, PRL documents, plans, etc.), offering greater traceability and robustness of the information and eliminating the manual tasks that were previously carried out at the scales.

"This project has digitalised the weighing processes in the scales of the biofactories, improving the control and management of documentation"

- **Digitalisation of vehicle and personal access to the Biofactories**. Through the new facilities, vehicle entry and exit has been digitalised by means of automated number plate reading, new access turnstiles have been installed to improve perimeter security and a fully automated plant visitor management system has been implemented.

These last two projects have led to a substantial reduction in the time spent on weighing and receiving tasks in the biofactories.

Cybersecurity

Cybersecurity is another strategic priority for Ence and the company continues to work to strengthen its level of identification, protection, response and recovery from potential cyber attacks.

Governance and Organisation

Ence has a **Cybersecurity Committee**, which is the body responsible for defining and supervising the company's cybersecurity strategy and promoting training and awareness among the entire workforce. In 2023, Ence continued to implement its **Cybersecurity Plan (2020-2023**) and this year developed a new **specific Cybersecurity Plan for 2024 and 2025** that encompasses both IT (information technology) and OT (operational technology). This Plan has been defined with a first class consultancy firm and in accordance

“Ence has a Cybersecurity Committee, which is the body responsible for defining and supervising the company's cybersecurity strategy”

with the NIST (National Institute of Standards and Technology) Cybersecurity Framework and with standard IEC/ISA 62443.

Cybersecurity Policies and Procedures

Ence has implemented a **Management and Industrial Information Systems Security Policy**, which establishes the principles governing information security management in the company. It also has a **Privacy Policy** the objective of which is to guarantee the protection of confidentiality, integrity and availability of information, ensuring business continuity and minimising cybersecurity risks. In 2023, the company has also worked on the detailed review and update of the Contingency Plans for business critical technology and application infrastructure in case of serious cybersecurity incidents.

Training and Awareness

Ence, fully aware of the cybersecurity threats facing its employees, is actively engaged in training and awareness-raising for all staff. In 2023, training sessions, implementation of protocols and cyber-attack drills have continued, contributing to improving secure practices across the organisation. As a result, there were no security incidents that compromised the company or its employees in 2023. In terms of industrial cybersecurity, a group of Ence technicians have been certified in the IEC/ISA 62443 cybersecurity standards as part of the established training plan and will continue over the coming years.

"There were no security incidents that compromised the company or its employees in 2023"

Protection technologies

In addition to awareness-raising actions, Ence has directed its cybersecurity efforts towards a detailed review of the parameter settings and functions of all cybersecurity elements implemented. The goal is to ensure optimal performance and maximum protection, covering areas such as email protection platform, device and server protection systems, perimeter protection systems, two-factor authentication, cybersecurity in *Intune* and *Office 365*, unified cybersecurity alarm monitoring system (SIEM), network segmentation, cloud security, and WiFi network security, among others.

The main actions carried out in both the **information technology (IT)** and **operational technology (OT)** environments are listed below.

ACTIONS DEVELOPED AT THE LEVEL OF THE IT ENVIRONMENT

1. **Modernisation of the EDR** protection of IT devices and servers by substantially improving its monitoring and action capabilities by upgrading it to MDR (Manage Detection and Response) level managed by *Trend Micro*'s own experts.
2. **Contracting the Digital Monitoring Service** that proactively reports potential threats identified on the deep Internet.
3. Linking of **protection systems**, such as firewalls, with global threat information systems.
4. **Upgrading servers** to modern versions of operating systems and databases.
5. **Updating** of *Office* 365 **office automation** and, ultimately, ongoing updating of applications to ensure that their security patches are updated.
6. **Encrypting** of laptop hard disks.

ACTIONS DEVELOPED AT THE LEVEL OF THE OT ENVIRONMENT

1. Implementing of a **system for monitoring and detecting anomalies** in industrial networks. This initiative makes it possible to maintain an up-to-date inventory of networks and to identify anomalous behaviour and/or threats.
2. Implementing of a **secure** file **transfer system** between IT-OT networks.
3. Progress in implementing of an **Industrial Cybersecurity Management System** (ISMS) based on ISA/IEC 62443.

Agreements with third parties

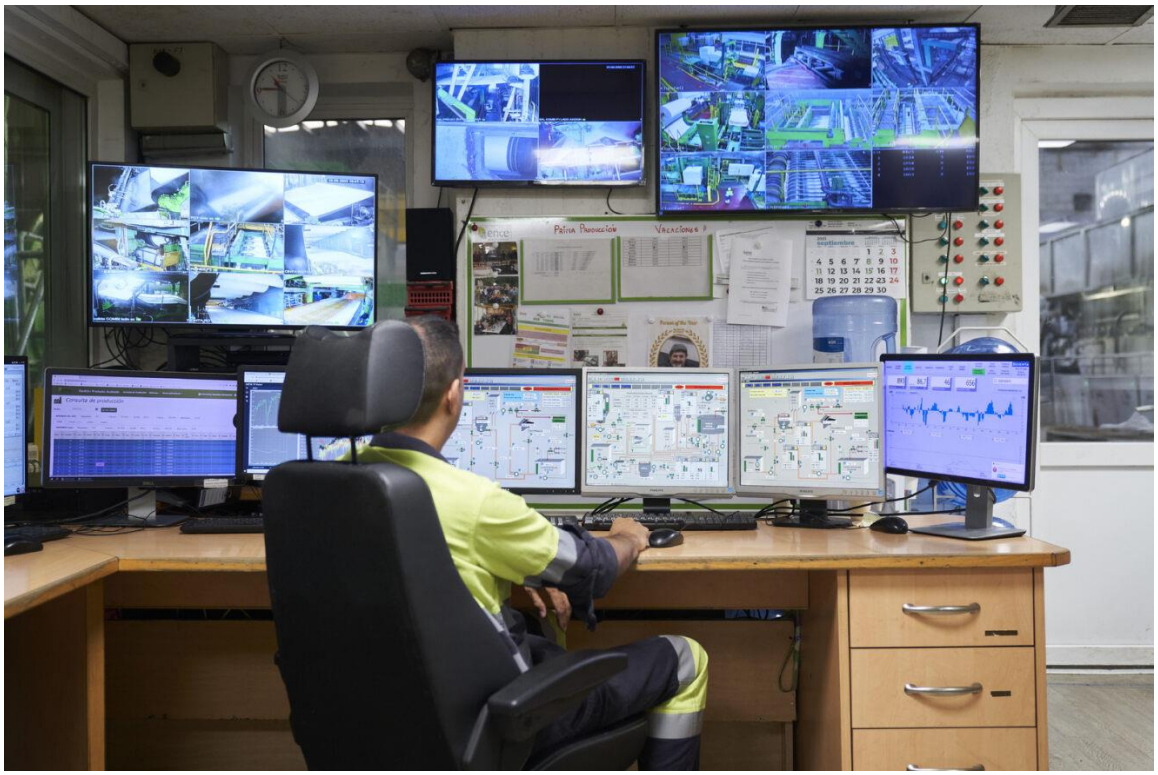
Ence has strengthened its collaboration agreement with the National Cybersecurity Institute (INCIBE), which involves 24-hour incident support, IT asset monitoring, early threat alerts, information exchange and the use of training and awareness-raising resources provided by INCIBE. In the field of industrial security, Ence collaborates with the ISA *(International Society of Automation*), a body that establishes cybersecurity standards and offers specific training plans.

Audits – Ethical Hacking

Ence regularly carries out cybersecurity audits and ethical hacking initiatives. These actions make it possible to identify possible IT security vulnerabilities and establish work plans to correct them.

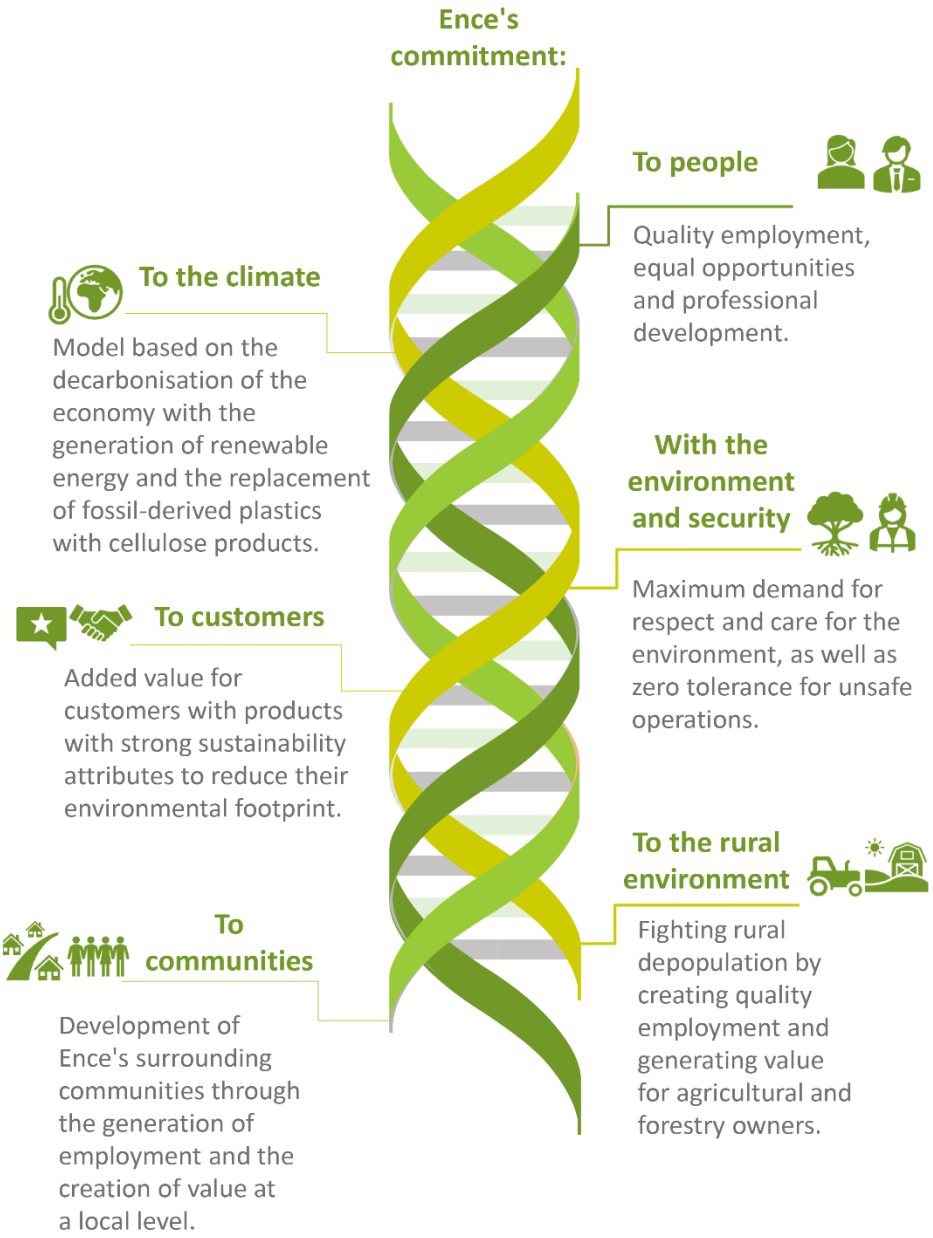
In 2023, security audits have focused on the following areas:

- ✓ **Vulnerability analysis of IT assets** exposed on the Internet.
- ✓ **Vulnerability analysis of the internal IT infrastructure**.
- ✓ **Hacking test** by Red Team. Expert teams from specialised companies have carried out exercises of trying to penetrate and hack into Ence's systems to identify weak points to improve the Group's cybersecurity.



OUR COMMITMENT

Ence's commitment to generating a positive impact is part of its DNA as the backbone of value creation for all its stakeholders.



The following chapters of the report detail the strategies, principles of action and activities carried out by Ence to maximise its impacts in these areas.

TO PEOPLE

"***People are Ence's most valuable asset***. *Ence's human capital management strategy is therefore based on the establishment of long-term relationships of trust that enable the* ***loyalty of talent*** *through* ***quality employment, training and continuous training and equal opportunities.***"

Key milestones in 2023

27% of **women** in the workforce	Revalidation of the **Great Place to Work** certification	94% **permanent** employees	41% of **women** in **new hires**	**+10%** of employees vs. 2022

Human capital is Ence's **most valuable asset**, which is why commitment to the people who form part of the organisation is a strategic priority for the company. This commitment translates into active management of all components of the **employee experience** in the company. Ence is thus committed to creating and maintaining quality employment, developing talent and promoting equality and diversity in its human team. With this, Ence seeks to create an attractive and motivating work environment and generate pride of belonging among its employees.

Strategic People Plan

GRI 2-7

Ence's vision in the management of its human capital is based on the principles of commitment to the company's values, professional competence, autonomy in the development of work and transversal cooperation.

Ence's objectives in the area of people management include attracting and retaining the talent necessary to make its strategic plan a reality, proactively managing performance to align the team with the strategy and promoting a motivating professional project for employees, ensuring attractive and equitable remuneration, investing in development and training, promoting equality and work-life balance and encouraging transparent and fluid communication.

To achieve these objectives, Ence has established a **Strategic People Plan** for the period 2019-2023, which focuses on 9 priority areas of action: During the five years of the plan, annual objectives have been defined for each of these areas. The main milestones achieved in each area over the period and in 2023 in particular are summarised below.

Leadership of managers and middle management

To consolidate the leadership of managers and support the leadership development of middle management, workshops have been held on quality conversations and problem solving, "One to One" meetings have been promoted as a communication and management tool, and work has continued on the development of middle management with sessions focused on empowerment, active listening and communication. Work breakfasts have also been promoted at the level of managers and counter-managers to encourage this communication and 360º feedback has continued to be used to ascertain the team's perception and define areas for improvement.

Empowerment and autonomy

To increase empowerment and a sense of ownership and autonomy in management, in 2023, sessions were held with managers ("Ence Leader") focused on enhancing empowerment and communication skills, consolidating progress in decision-making and autonomy of managers and foremen by monitoring the RACI matrices in monthly operational meetings.

Cross-sectoral approach and shared vision

To foster transversality, collaboration, participation and shared vision, "alliances" between different areas (internal customers and suppliers) have been consolidated and internal customer satisfaction surveys have been undertaken, with good results. Visits to internal customers have also been promoted, in order to enhance transversal knowledge between areas. This section also includes ensuring transversality and co-management between areas when setting the team's personal objectives. To this end, the harmonisation committee has been set up to ensure uniformity of criteria in the setting of objectives.

Internal communication

In order to boost internal communication, monthly operational meetings have been consolidated in the biofactories as a direct communication tool. The use of digital communication tools, such as the My Ence App and MS Teams, has also continued to be promoted. The "Ence Directo" sessions have also continued to be organised, in which the areas present their functions and the main milestones of their management to the rest of their colleagues. In addition, working breakfasts have continued to be held at all levels in order to consolidate them as a tool for dialogue and communication within the teams.

Talent attraction and development

In the area of talent development and recruitment, progress continued to be made in the plan to position the Ence brand as an employer. To this end, Ence's presence at universities and other educational centres and its participation in employment forums has been strengthened, with the aim of raising awareness of the company among future professionals. It has also continued to actively participate in interesting dual vocational training modules for the recruitment of talent in the areas of cellulose and forestry. In addition, the Talent programme continued to be launched as a tool for attracting young talent. In the area of talent development, work continued on the three-year plan to develop successors and high potential staff, with particular emphasis on developing female talent. Mentoring programmes have also been promoted, which have been highly valued by the participants. On the other hand, the meetings of the people committees have been consolidated, in which those responsible for Human Capital meet with the different areas to learn about the concerns and follow up on the teams.

Industrial relations management

In order to make progress in the proactive management of labour relations, the Company has continued to apply the protocol for transparency in labour relations and has applied the dynamics of identifying "social irritants", which has proved useful in relations with workers' representatives. In addition, proactive communication with them has continued to be promoted in order to convey the company's strategy.

Commitment to values

To strengthen the commitment to Ence's values, the company's employees have been encouraged to participate in training sessions at universities and educational centres near the plants, with a special focus on environmental education and training. Internally, the company's executives present Ence's values to new recruits, action plans continue to be implemented to improve the climate based on the results of the latest study, and volunteer actions are promoted in areas aligned with the values.

Equality and work-life balance

To promote equality, Ence has continued to encourage the participation of Ence managers in career guidance workshops and other forums, with the aim of promoting the incorporation of women into the industrial industry. Moreover, Ence has continued to implement its equality objectives (for more information, see the "Diversity and equal opportunities." section of this report).

Skill improvement

In this area, Ence has made it a priority to boost the team's skills in key aspects such as occupational safety, the environment, ongoing improvement, management and technical skills such as the development of new products and processes and skills in sustainability and digital transformation. To this end, specific plans have been developed for technical training at the power plants, training to support digital transformation and cybersecurity, and excellence in occupational health and safety. In addition, the expert knowledge management programme continued, focused on strategic projects, new products and R&D. Training in regulatory compliance was also consolidated, with specific training on the Code of Conduct and the internal reporting channel procedure.

Commitment to stable and quality employment

GRI 401-1:

Ence is committed to generating and maintaining stable, quality employment, in order to offer an attractive professional project to the company's employees. This way, by the end of 2023, among Ence's employees, 94% have a permanent contract and 98% work full time. In addition, in 2023, there has been a 10% increase in the number of employees compared to the previous year.

In 2023, the average headcount of the Group was 1,222.2 people, ending the year with 1,262 people on the payroll, 1,257 in Spain and 5 in Portugal. Annex II of this report provides further details on the composition of Ence's workforce, broken down by age, professional group, type of contract and working day.

Ence's commitment to generating stable quality employment has translated yet again into low **staff turnover**:

Turnover rate	2023-Spain			2023-Portugal		
	M	F	Total	M	F	Total
Up to 30 years old	2.3	1.4	1.9	0.0	0.0	0.0
From 31 to 50 years old	0.3	0.7	0.4	0.0	0.0	0.0
Over 50 years old	0.1	0.4	0.1	0.0	0.0	0.0
Overall total	**0.4**	**0.7**	**0.5**	**0.5**	**0.0**	**0.0**

Absenteeism in 2023 was 9.48% (115,218 hours), including sickness, occupational injury, maternity/paternity, paid and union leave.

Talent management

Talent management is a top priority for Ence, which focuses its efforts on attracting, developing and retaining the talent needed to develop the company's strategy. To achieve this, Ence designs a value offer for individual contract staff that encompasses all components of the employee experience, from remuneration and development to active work-life balance and equality policies.

Talent attraction

The first step in human capital management is to attract the talent needed to drive growth and develop new lines of business, Ence's strategic objectives. To achieve this, the company identifies the profiles needed in the short and medium term according to the strategy to be developed and designs an attractive value offer for each profile. Ence also prioritises the attraction of local talent as part of its commitment to the development of the communities where it operates.

To attract talent, Ence uses tools such as the **Talent Programme**, a company commitment to access to employment and professional development for young people in the areas where the company operates. With this programme, Ence offers scholarships for recent graduates, offering the opportunity start their professional careers in various areas of the company. The programme provides for the assignment of a mentor to each intern, who is responsible for facilitating their integration into the teams and monitoring their learning, as well as evaluating their performance. In 2023, a total of 139 interns participated in this programme, and almost 20% joined Ence's workforce at the end of the internship.

This programme not only contributes to fostering the employability of young people, but also strengthens the company's ties with the universities and other academic institutions from which the grants holders come, favouring Ence's brand as a quality employer.

In the process of attracting talent, Ence takes into account **equality** and diversity **criteria**, with the aim of boosting the presence of women in its workforce. In this sense, the objectives are to have at least one woman in all shortlists in the selection processes and to ensure that at least 50% of new managerial and individual contract staff are women.

After joining the company, Ence applies a welcome plan to all new employees, which consists of training sessions, adherence to the company's internal rules of conduct and, where appropriate, an immersion programme and visits to the facilities so that they can learn first-hand about the day-to-day running of the operation.

Professional development

After being welcomed into the company, the next step in Ence's talent management strategy is to ensure professional development opportunities that allow employees to reach their full potential, thus not only offering an attractive project for the employee, but also boosting pride in belonging to the company and building talent loyalty.

Ence applies two complementary tools to manage talent development: the **Career Plan**, which is defined jointly with the employee and has a long-term focus, and the **Individual Development Plan**, which is established with an annual horizon. Once a year, the employee has a development interview with their manager, in which career and individual development plans are reviewed, the annual performance evaluation is shared, the achievement of individual objectives is reviewed, alignment with corporate values is analysed and the necessary reinforcements or training actions are proposed. In addition to the evaluation by supervisors, the performance

management model is supplemented by feedback from peers and employees (360° feedback). In 2023, the number of performance evaluations has increased by 17% with a total of 613 people participating, representing 67% of the total workforce and 100% of the management and individual contract staff. For contract staff, development interviews are conducted to identify their career plan and IDP. In 2023, 289 development interviews were conducted.

GRI 404-3:

Performance evaluations conducted			
Professional group	Men	Women	Total
Clerical workers	2	5	7
Support and improvement Quality Control	2	2	4
General management	54	20	74
Managers	77	30	107
Operators	3	0	3
Team Leaders	57	2	59
Technicians	206	153	359
Overall total	**401**	**212**	**613**

Targets set			
Professional group	Men	Women	Total
Clerical workers	2	4	6
Support and improvement Quality Control	1	0	1
General management	54	19	73
Managers	77	29	106
Operators	3	0	3
Team Leaders	30	0	30
Technicians	194	135	329
Overall total	**361**	**187**	**548**

Target compensation			
Professional group	Men	Women	Total
Clerical workers	2	3	5
Support and improvement Quality control	2	0	2
General management	56	14	70
Managers	69	26	95
Operators	3	0	3
Team Leaders	30	0	30
Technicians	173	120	293
Overall total	**335**	**163**	**498**

Other tools that Ence applies to promote talent development are **corporate leadership, coaching, mentoring and management development programmes**. Equality criteria have also been included in these programmes to enhance the professional development of women and their access to management positions. Thus, by 2023, it has set itself the target that the percentage of women participating in these programmes should always be higher than the percentage of women in the workforce (20% more), thus avoiding under-representation.

Another key aspect of career development management focuses on **promotion processes**. In this regard, and depending on the company's needs, Ence seeks a balance between external recruitment and a commitment to promoting internal talent as a basis for the development of its human team. By offering promotion opportunities for its employees, Ence fosters motivation, pride in belonging and a sense of commitment to the company. In this regard, Ence applies the policy of posting 100% of internal vacancies in the employee communication channels and has set a target of filling at least 60% of these vacancies with internal talent by 2023. In 2023, there were 54 internal promotions, of which 19 were for women. As an additional measure, Ence informs the entire organisation of the internal promotions that take place in order to highlight their value and demonstrate Ence's commitment to its human resources.

Moreover, Ence also wants to avoid bias in promotion processes, and has therefore set a target for 2023 that the percentage of women promoted should be equal to or higher than the percentage of women in the area they work in.

In addition to applying these tools to enhance the development of the team, Ence actively manages the organisation's talent needs, annually reviewing the positions considered critical, identifying key personnel and defining succession plans for them.

Remuneration:

Another key pillar of Ence's talent management strategy is to design attractive and competitive remuneration policies for individual contract employees. Remuneration components are determined taking into account the responsibilities of each position and the value contribution of each person based on their profile and experience, within the framework of a structure of salary levels and bands that is transparently communicated to the workforce. Collective bargaining pay ensures a guaranteed minimum for individual contract staff as a whole. Variable remuneration is linked to the achievement of personal, organisational and business objectives, including ESG aspects such as the safety or environmental performance of the facilities.

A salary review is carried out annually on the basis of merit matrices, the employee's status in the relevant salary band and their performance. In this respect, Ence also applies equality and non-discrimination criteria, setting itself the objective of ensuring internal equality and a zero pay gap for equivalent positions.

For employees subject to collective bargaining agreements, the agreed remuneration and pay structures are set out in the respective agreements in accordance with the legislation in force.

GRI 405-2

In 2023, the **average effective remuneration** of Ence Energía y Celulosa, excluding the Management Committee, was €64,137 per year, including fixed and variable remuneration.

Average remuneration 2023 (€)	Ence Energía y Celulosa		
Age:	Men	Women	Total
Up to 30 years old	43,457	42,872	43,196
From 31 to 50 years old	63,510	56,025	61,347
Over 50 years old	88,669	80,198	87,012
Total average remuneration	**67,131**	**56,787**	**64,137**

Average remuneration 2023 (€)	Ence Terra		
Age:	M	F	Total
Up to 30 years old	-	20,475	20,475
From 31 to 50 years old	21,667	25,563	24,146
Over 50 years old	20,345	26,874	25,423
Total average remuneration	**21,226**	**25,501**	**24,335**

Note: The Ence Energía y Celulosa group and the Ence Terra (formerly Norfor) area are presented separately, as they are covered by different agreements and their conditions are not considered comparable for this reason. Employees based in Portugal are included in the Ence Energía y Celulosa section.

In the case of **senior management**, the average remuneration by gender is detailed below:

2023 Average remuneration Management Committee	
Gender	€MM
Men	552.5
Women	357.6

Note: The calculation of the average remuneration takes into account all remuneration items except the contribution to the CEO's defined benefit insurance policy. All members of Senior Management (including the CEO) are included.

GRI 202-1

The starting salary of the lowest category applied in Ence is higher than the **minimum wage** (Interprofessional Minimum Wage (IMW)) applicable in Spain. In 2023, the proportionality has been as follows:

Proportionality between the IMW and the lower-level salary at Ence Energía y Celulosa Group including Ence Terra			
Gender	2021	2022	2023
Men	1.39	1.49	1.29
Women	1.38	1.40	1.27

Pay gap

In the area of remuneration, one of Ence's fundamental principles is to eliminate the gender pay gap and ensure that there is no gender bias in remuneration. To ensure compliance with this principle, Ence monitors the gap between comparable positions and takes measures to eliminate it. Moreover, for the measurement of the pay gap, since 2018, Ence uses the methodology based on hourly pay rate, as it is described by the "Methodological guide for the assessment of the gender pay gap in the company", published by the Club de Excelencia en Sostenibilidad. In 2023, the pay gap between comparable positions is detailed below.

2023 Pay gap (%)	ENCE Group	Ence Terra
Clerical workers	-5.5%	0.0%
Support and improvement	4.4%	-20.6%
General management	7.7%	0.0%
Managers	-6.1%	0.0%
Maintenance	7.5%	0.0%
Operators	26.3%	-0.4%
Team managers	-3.9%	0.0%
Technicians	9.4%	0.0%

The gap in the operators' group is mainly due to the increase in the number of women hired under collective bargaining agreements as a result of Ence's active policies to increase their representation in the workforce over the last few years.

The collective agreements for new staff establish an adaptation process whereby in the first year 80% of the basic salary is paid, in the second year 85% and in the third year 90% in Navia, regardless of the gender of the person hired. Active policies to recruit female operators have caused the average length of service of female employees to fall and to be significantly lower than that of male employees. Therefore, a higher percentage of women are in the adaptation process of the first years and are mostly found at the entry wage levels/steps within the operators' promotion pathways.

Ultimately, the fact of incorporating a majority of women at the entry levels of the organisation in order to promote equal representation of both genders, means that in the first few years the salaries of these junior women are lower than those of their male counterparts who have been at the same levels for the longest time and who have been promoted organically to higher levels of responsibility over the years. It is expected that as the female population becomes more representative and their average age increases, this gap will narrow. In any case, it is shown that the gap detected is not due to any gender bias in the selection processes or in the remuneration or promotion of any group.

In the case of the members of the **Board of Directors**, their salary is regulated by the principles established in Ence's Remuneration Policy for Directors, which are applicable to all Board members, regardless of their gender or any other personal circumstance. Therefore, the differences in remuneration received in each financial year are solely determined by the objective aspects set out in the Policy, such as the member's participation in the different Board Committees or their status as Chairman of any of them.

Total Average for Financial Year 2023*	
Gender	€MM
Men	96.7
Women	106.9

** For the calculation of the mean remuneration, fixed remuneration, allowances and indemnities and the payment of long-term savings schemes have been taken into account, but variable remuneration has not been taken into account, as it is only received by the Chairman for his executive duties and not for his status as a director. It also does not include the Chairman's remuneration for executive functions. The individual remuneration of each Board member can be consulted in Ence's Annual Remuneration Report.*

Welfare plans

GRI 401-2:

In addition to remuneration, Ence completes its employee value proposition with a series of social benefits designed to adapt to the needs of each individual. These benefits apply to both full-time and part-time or temporary employees and include:

- ✓ Pension Plan, so that employees have a source of income in addition to retirement.
- ✓ Flexible Remuneration Plan, to contract products or services with tax advantages such as child care, etc.
- ✓ Health insurance (payment of 50% of the insurance premium), to protect the health of employees and their families.
- ✓ Life and accident insurance (payment of 50% of the insurance premium), to protect the employee and his/her family in all circumstances.
- ✓ Supplementary benefit of up to 100% of the real salary in ordinary working hours, for situations of temporary incapacity that are due to a common illness or accident.

- ✓ Restaurant/factory dining room card (subsidised by the company through a restaurant card).

Training and development

GRI 404-1, GRI 404-2

Another of the key pillars of Ence's talent management consists of developing and improving the skills of its human team. To this end, Ence designs annual training plans based on an analysis of the workforce's skills needs. The plans also include the training needs identified in individual employee development plans.

The commitment to talent development and ongoing employee training is reflected in several of the Ence Group's policies. On the one hand, the Management Policy establishes that Ence actively promotes the awareness and continuous training of each person, in order to provide them with the knowledge, procedures and means necessary for the proper performance of their activity, and thus achieve efficient and quality work. It also encourages the participation of people so that their skills, knowledge and experience are passed on, to the benefit of the whole organisation.

On the other hand, the Sustainability Policy and the Diversity and Equal Opportunities Policy ensure that training is provided to all employees, without discriminating on the basis of gender or any other personal condition, while promoting that employees can reconcile their personal life with the training opportunities offered by the company.

Thus, in 2023, 20,983 hours of training were provided in the Group, i.e. Some 17.17 hours of training per employee.

Average hours of training in 2023			
Professional group	Men	Women	Total
Clerical workers	3.61	7.13	6.13
Support and improvement	21.93	29.62	25.67
General management	15.00	25.65	17.47
Managers	15.30	17.90	16.04
Maintenance	7.45	44.38	7.89
Operators	21.10	28.54	22.12
Team managers	18.80	15.89	18.62
Technicians	14.04	17.26	15.34
Total	**16.13**	**20.03**	**17.17**

Although different specific training courses are defined each year, the training activities are grouped into 7 areas, aligned with Ence's strategic priorities:

- ✓ Environmental awareness
- ✓ Regulatory compliance
- ✓ Leadership development
- ✓ Health and safety

- ✓ Sustainability
- ✓ Operation and maintenance technique
- ✓ Digital transformation

This financial year, it is worth highlighting the training activities in the field of technical skills, regulatory compliance and occupational health and safety.

Training categories 2023		
Training	Participants	Hours
Environmental awareness	340	740.0
Regulatory compliance	5,644	3,797.0
Leadership development	2,052	3,039.5
Occupational health and safety	4,010	5,421.5
Sustainability	563	713.0
Operation and maintenance technique	7,445	6,699.5
Digital transformation	872	572.0
Total	20,926	20,982.5

Diversity and equal opportunities.

GRI 405-1:

Ence is firmly committed to equal opportunities and the rejection of any type of discrimination in the management of the human team, as established in its Code of Conduct, but the company also sees diversity as a lever for generating value, as it enriches and provides different points of view in decision-making. Ence's principles in this matter are defined in the **Diversity and Equal Opportunities Policy**, approved by the Board of Directors and publicly available to all the company's stakeholders in its web page.

Equality strategy and objectives

Ence's Equality Policy establishes a number of commitments that are materialised in the equality strategy and objectives that have been defined for the 2021-2023 period. The equality strategy ensures the effective application of the principle of equality between men and women, guaranteeing equal opportunities at all stages of the employee's relationship with the company, from recruitment to development and promotion, as well as non-discrimination in terms of pay or any other type of discrimination.

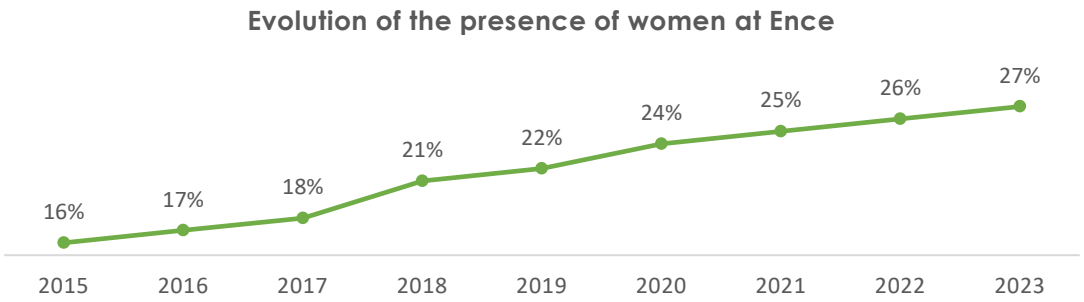
The equality objectives approved for the period 2021-2023 focus on five areas: selection and recruitment processes, career development, pay equality, work-life balance and visibility. For each year of this period, a total of 10 quantitative and qualitative objectives have been defined:

EQUALITY OBJECTIVES 2021/2023

 **Professional development** In regard to the distribution of women in Ence's workforce, to identify active policies to even out gender representation at different levels.
Objective 1: Introduce measures to avoid bias in advocacy processes. We encourage the promotion of women in each area in percentages equal to or higher than the total percentage in the area.
Objective 2: We will boost the representation of women in Management Development Programmes and Mentoring and Successor Programmes to promote women's professional development. We will also promote the versatility of women in collective bargaining agreements. The number of women in the programme will be equal to or higher than the percentage of women in the group, increasing by 10% in 2021, 15% in 2022 and 20% in 2023.
 **New hires** Promote the attraction and retention of female talent
Objective 3: One woman in the final shortlist of all selection processes.
Objective 4: 25% of new permanent employees (+/5%) in biofactories and independent power plants will be women. We will increase this percentage by 5% annually, reaching 30% in 2022 and 35% in 2023.
Objective 5: 50% of new recruits (+/10% of Directors and individual contract staff) must be women.
Objective 6: Per year, we will achieve and maintain 50% representation (+/-10%) of women under 30 with a university degree.
 **Pay gap** To ensure internal equity in equivalent positions between the sexes.
Objective 7: We will implement the necessary measures to achieve internal equity in equivalent positions between the sexes, as part of our Zero Pay Gap Objective.
 **Work/life balance measures** To promote rational balance between professional and personal life.
Objective 8: Labour flexibility through the current working time system. Extended flexible working hours, including teleworking for mothers and fathers of children under 12 years of age, provided that the needs of the service are adequately covered.
Objective 9: We will support equal parental leave rights between genders. We will ensure gender equality in the periods of parental leave regardless of gender.
 **Visibility and monitoring of equality objectives**
Objective 10: We will increase the visibility of the Equality Plan through the following measures: ✓ Quarterly meetings of the Technical Committee on Equality ✓ Quarterly publication of results ✓ 4 equality meetings per year ✓ During 2021 and 2022, Ence's main contractors in the area of Equality will be subject to awareness-raising and evaluation actions. In 2023, equality compliance criteria will be set in the selection processes of contracting companies.

The objectives are reviewed monthly by the Management Committee and the Board of Directors, in addition to a detailed quarterly review by the Board's Sustainability Committee. At the end of 2023, all the objectives had been met except for the two relating to new incorporations (objectives 4 and 5), where the established percentages had not been reached.

The body in charge of defining the objectives and designing complementary measures to promote equality and diversity is the **Technical Commission for Equality**, in which managers from the areas of cellulose, renewable energies, forestry assets, sustainability and human capital participate. The Commission meets at least once a quarter to follow up on measures, plans and objectives. All the initiatives implemented by Ence to promote equality have resulted in a significant increase in the presence of women in the workforce in recent years, reaching a representation of 27% by the end of the 2023 financial year.



Another of the initiatives launched by Ence in the field of equality was the company's adhesion in 2022 to the *Empowering Women's Talent* programme, which aims to develop female talent in organisations. Within the framework of this initiative, an ambitious programme is developed that includes events and activities for all its members, such as the *Diversity & Inclusion Day* or the *Women's Talent Day,* an event focused on the development of female talent, equality and diversity. In addition, participation in the programme allows Ence to take part in workshops and breakfasts, as well as in cross-mentoring activities with other participating companies.

In 2023, Ence received the "*Empowering Women's Talent*" seal for its commitment to the development and promotion of female talent. Ence's General Manager of Human Capital received this seal during the *Women's Talent Day, an* annual meeting dedicated to giving

visibility to women in the business world. In 2023, the day was dedicated to inclusion issues such as the need to eliminate bias, strategies to raise the percentage of women in strategic positions and possible actions that can be taken to raise women's interest in STEM careers. In the same year, *Women Empowering Breakfasts* were held to address the theme "Roles, Quotas and Unconscious Bias: Challenges and Solutions". Ence was represented at this forum by the Director of Energy and Recovery of the Navia biofactory.

Thanks to its efforts in the area of equality, Ence has also been included in the ***Ibex Gender Equality***, the first index that measures the presence of women in management positions in Spanish companies. The company thus ranks among the top 30 Spanish companies in terms of equality.

Work/life balance

Work-life balance is one of the principles of action established in Ence's Diversity and Equal Opportunities Policy. The company understands that work-life balance is not only an employee's right, but also a lever for building talent loyalty and pride in belonging. To materialise this commitment, Ence applies measures such as flexible working hours, digital disconnection, rationalisation of meeting schedules and remote working.

In addition, Ence offers its employees measures to facilitate work-life balance that go beyond the provisions of current legislation, such as breastfeeding leave with the possibility of accumulation in full days, maternity leave coverage, part-time maternity leave or encouraging virtual meetings to avoid commuting to work.
Moreover, the value proposition that Ence has defined for non-agreement staff includes a working time policy that provides for greater time flexibility so that employees can organise their own working time according to their needs. Also, for certain positions, Ence offers the possibility of working from home up to two days a week, thus facilitating the work-life balance.

Parental leave

GRI 401-3

In this context, 70 employees took parental leave in 2023, of which 48 were men:

2023 Parental leave		
Category	M	F
Employees who have taken parental leave	48	22
Employees who have returned to their job after parental leave	38	16
Employees who continued in their position after 12 months of parental leave	43	10
Return to work rate	79%	73%
Retention rate	93%	100%

Promotion and awareness-raising

The dissemination of equality objectives and the awareness of the entire workforce of the principles of action and commitments of the Equality Policy is another of the key pillars of the company's equality strategy.

To promote this awareness, Ence communicates the annual equality objectives and their level of compliance to all employees and promotes the active participation of the whole team in identifying areas for improvement. Ence also carries out training and awareness-raising activities on equality and co-responsibility, such as round tables and internal communications in the company's various communication channels. But Ence's commitment to equality awareness is not limited to its internal team, but extends to the environments where the company operates, to promote women's access to studies that enable their incorporation into the industrial sector and thus help to alleviate the lack of qualified female personnel that is demonstrated in many selection processes for industrial positions. In 2023, Ence took part in the institutional event organised by Navia Town Council to mark Women's Day and in fairs and forums organised by educational centres to promote the incorporation of women into the industrial industry.

Promoting equality in communities

Ence also aims to promote equality and diversity in the communities where it operates. Thus, through collaboration agreements with local councils and its Social Plan, Ence supports **projects related to equality and awareness**, such as the "SEREAS, as mulleres do mar" project promoted by the FUNPROMAR Foundation and dedicated to highlighting the role of women in the canning industry and highlighting the work they have been doing for years, or the "Ciudad FEMUPO" project, promoted by the Federación pola igualdade das Mulleres da Provincia de Pontevedra and focused on raising awareness of environmental protection and the fight against climate change, as well as promoting values of equality and social inclusion among young people.

Ence also promotes women's sports with projects such as "Girls also play football", an initiative of the historic Pontevedra club Salgueiriños CF for the creation of several women's football teams, given that there was no women's football school in Pontevedra.

Inclusion of people with different abilities

The inclusion of people with different abilities in the workplace is another of the commitments included in Ence's Equality and Diversity of Opportunities Policy. As set out in this Policy, the company creates specific integration plans and removes any potential physical or other barriers to effective integration. In 2023, Ence had 12 people with different abilities as part of its staff,

providing them with all the necessary means and conditions to guarantee their accessibility and allow them to carry out their functions correctly.

Ence has also been collaborating for years with the Adecco Foundation to provide assistance to families in the Ence workforce with children with different abilities and in various initiatives, such as the promotion of the people with different abilities week and the implementation of alternative measures for managing uniqueness. Ence also works with special employment centres and subcontractors.

In addition, as part of its community relations plans, Ence collaborates with many associations that work to **integrate people with different abilities**, such as the Association for the Disabled of Northwestern Asturias (ADINORA) which, located in Navia, serving the entire region. Ence collaborates with this group by providing services such as speech therapy, physiotherapy and social integration. As part of the Pontevedra Social Plan, Ence supports **more than 40 projects focused on the fight against social exclusion**, many of them aimed at improving the quality of life and inclusion of people with different abilities. Some examples in this field include the Natura XXIII project promoted by the Fundación para a discapacidade e emprego Juan XXIII, focused on the creation of employment, training of people and social awareness of intellectual disability based on environmental education activities and promotion of social contact, the Ponte en Forma project of the COGAMI association, which includes the practice of individual and group sports aimed at people with disabilities to promote their autonomy, decision-making capacity, physical health and promote their social inclusion through the practice of sports activities, the Signa-Social Project of the Xordos de Galicia Association (XOGA), which offers the services of a social worker in free practice together with an interpreter to all people with sensory diversity (deafness, deaf-blindness and hearing impairment) who live in the city councils of Pontevedra, Marín and Poio, to improve their quality of life.

Prevention of harassment and discrimination

Ence's Diversity and Equal Opportunities Policy also establishes a firm commitment to zero tolerance of any form of discrimination or harassment. To ensure its compliance, Ence has developed a specific harassment prevention policy, in which the foundations for preventing, avoiding, resolving and sanctioning any cases of harassment that may occur between people working in the company are laid down. In 2023, 6 complaints of harassment were received through the channels established for this purpose; all have been closed after investigation.

A great place to work

Another of the main lines of action within the framework of Ence's People strategy is to improve the organisational climate and strengthen the pride of belonging among all members of the human team.

For this, Ence analyses the perception of its employees and develops action plans for the aspects identified as areas for improvement. The main tool used by the company to ascertain the opinion and degree of satisfaction of its employees is the annual opinion poll, which are carried out in accordance with the Great Place to Work methodology. The sixth edition of the study was launched in 2023, resulting in a score of 67 points in the trust index, which has enabled Ence to revalidate its **Great Place to Work** Certification for the fourth consecutive year.

In addition to the annual opinion poll, Ence checks the organizational culture every month with surveys focused on specific aspects of the employee experience. The results of these surveys are presented to Ence's Management Committee on a monthly basis.

Dialogue and participation

Ence understands that one of the keys to aligning its employees with the company's strategy is to promote active communication and two-way dialogue with the team. For this reason, boosting internal communication and encouraging employee participation is one of the pillars of Ence's strategic people plan.

In this context, in 2023, Ence has continued implementing numerous initiatives for dialogue and employee participation, such as live virtual meetings with the Chairman, quarterly presentations of results, working breakfasts, or "Take the floor" sessions, where Senior Management meets with company employees to learn first-hand about their points of view and suggestions for improvement. In addition, Ence also promotes dialogue between company employees, through the "Ence Directo" sessions, in which managers from different areas share the strategy and objectives of each department with the rest of the company. In 2023, the annual meeting of the Management Team was also held, where the context is analysed, the strategy is reviewed and the action guidelines for the next year are established.

In addition to these initiatives, Ence continues to encourage personalised dialogue between each employee and his or her supervisor through weekly "One to One" meetings and annual performance interviews.

Ence also considers it important to recognise the efforts of its team members, which is why the company promotes recognition actions by the Management Committee and regular acknowledgements through Ence's internal communication channels. The company also recognises each year at a specific event those employees who, due to their special contribution of value, have been considered as "Benchmarks".

In addition to all these initiatives, Ence maintains various **internal communication channels**, such as the AUNA platform, the my Ence app and the Beekeeper social network, the corporate intranet and other means of communication such as panels and monitors installed in all the company's plants and offices.
To create a team culture and encourage the involvement of Ence employees in the community, the company also promotes **corporate volunteering** activities. These actions include the "ENCEndamos la Navidad" campaign to collect toys for low-income families in collaboration with Cáritas and the Red Cross, and the environmental volunteering campaign in which Ence employees reforested degraded areas around Navia beach.

Labour relations and workers' rights.

GRI 2-30

Ence's strategic plan for people includes the management of labour relations as another of its priorities, establishing the objective of strengthening the company's proactivity in these relations and making progress in three aspects:

- ✓ Open and transparent communication.
- ✓ Participatory dialogue with workers' representatives.
- ✓ Building joint solutions and seeking consensus in the company's actions.

Ence bases labour relations on the principles of transparency, dialogue, trust and co-responsibility to guarantee a cordial and aligned relationship with workers in order to improve efficiency and productivity and applies its industrial relations protocol in its interaction with workers' representatives.

In this context, in 2023, Ence has held numerous meetings with employee representatives to involve them in the development of the Strategic Plan and management decisions, respond to their concerns, request their participation and gather their proposals. In addition, the agreement for the Pontevedra biofactory has been negotiated and closed.
In terms of **workers' rights**, Ence strictly complies with the legislation and, given that it operates in EU countries where there are robust regulatory frameworks and government control systems, the risk of infringement of workers' rights is very low. Thus, Ence's many collective agreements contain specific chapters that set out workers' rights to collective and union representation.

In addition, Ence's Code of Conduct expressly recognises the rights of workers and the company's commitments to its employees in terms of protecting health and safety in working conditions, equal opportunities and the prevention of interpersonal conflicts and harassment. Moreover, Ence's Sustainability Policy includes the company's express commitment to respect human rights and specifically the rights of workers as set out in the ILO Declaration on Fundamental Principles and Rights at Work and its conventions.

To also guarantee the safeguarding of **workers' rights in its supply chain**, in 2023 Ence has approved a Due Diligence Policy and a procedure that articulates it, to ensure that the company's

suppliers and other business partners guarantee internationally recognised workers' rights and enforce them throughout their supply chains.

Moreover, Ence provides its employees with mechanisms whereby they can confidentially report practices that do not comply with the principles established in the Code of Conduct and the company's other internal rules, such as the company's information channel (https://ence.integrityline.com/). Employees also have at their disposal the **Internal Information System Policy**, which establishes Ence's principles for action in this area and describes the procedure for managing the information received through this channel. This Policy is available on the website's website

TO HEALTH, SAFETY AND THE ENVIRONMENT

*"In its quest for excellence, Ence aims to achieve the **goal of zero accidents** and to develop the company's activity* in *an **exemplary manner in environmental matters**, complying with the most ambitious international standards, and **thus ensuring the social licence to operate**"*

Safe Operations

Key milestones in 2023

83% reduction in power plant frequency rate vs. 2022.	All business units show frequency rates that **improve on the main industry benchmarks**.	**100%** of industrial sites certified according to **ISO 45001**.	Conducting **emotional health assessments**.

One of Ence's main strategic priorities is to guarantee the safety of everyone involved in its operations, whether they are direct employees or contractors. This is why the company is committed to providing all the necessary resources to carry out its activities in a safe manner, safeguarding the health of both its employees and those who collaborate with the company through contractors. With the ultimate aim of achieving zero accidents in its operations, Ence has implemented and is working to improve management systems and innovative tools in order to ensure safety in all its activities.

For the reporting of its health and safety and performance management model, Ence structures the information around the key aspects that govern the safety culture: Structure and Governing Bodies; Policies and Principles of Action; Occupational Risk Prevention Management Model; Training; and Workers' Welfare.

Governing bodies and structure

GRI 403-2

Health and safety management at Ence is organised through a **Joint Prevention Service (JPS)**[3], which assumes the preventive specialisation areas of safety at work, ergonomics and applied psycho-sociology, and health surveillance; and outsourced the speciality of industrial hygiene.

At the level of **governance bodies**, in 2020, Ence created the **ELSE** (Equipo de Liderazgo en Seguridad, Safety Leadership Team) **Committee**, a decision-making body that periodically reviews the company's safety performance and the progress of the main improvement initiatives. This body also approves corporate standards regarding safety. The ELSE committee is made up of: the Chairman, the General Managers of Cellulose, Magnon, and Finance, the Internal Auditing Director, and the Safety Managers of the different Business Units.

"The ELSE Committee is the decision-making body that periodically reviews the company's safety performance"

[3] The JPS management model is aligned with the requirements of Royal Decree 39/1997, which implements the Prevention Services Regulations and Act 31/1995 on the Prevention of Occupational Risks.

Safety policy and principles

GRI 403-4, GRI 403-5, GRI 403-6, GRI 403-7

Ence sets out its principles of action in its **Health and Safety Policy**. It also sets out the governance bodies and their respective responsibilities in relation to the definition, implementation and compliance with the principles set out in the policy. This policy is available to all stakeholders on the company's website.

Moreover, the protection of people's health and safety is one of the principles of action set out in Ence's Code of Conduct and forms part of the company's values. Ence not only sees safety as a fundamental right of its workers, but also as a tool to improve the organisation's efficiency, climate, pride of belonging and, ultimately, the company's competitiveness.

Ence has set itself the goal of achieving **zero accidents** in all its operations, extending this vision not only to its employees, but also to its contractors. Therefore, when setting safety improvement targets, Ence **incorporates all external personnel.**

The **cross-cutting approach to safety culture** ensures that it reaches all levels of the company by making safe behaviours the standard way of doing business. By focusing on the following aspects, Ence makes this safety culture part of its identity:

1. **Management leadership and responsibility:** visible commitment of management and the entire chain of command to safety, exemplary in daily management.
2. **Business integration**: integration of safety in all processes as a cornerstone of all decisions.
3. **Accident prevention**: the constructive investigation of all accidents and incidents by implementing measures to prevent recurrence and sharing lessons learned.
4. **Training and education**: ongoing training for all employees to ensure that they are sufficiently trained to work safely.
5. **Audit and ongoing improvement**: application of the PDCA (Plan, Do, Check, Act) ongoing improvement cycle by continuously auditing that safety plans and procedures are understood and executed correctly.
6. **Safety as a right and an obligation**: Safety is not only an employee's right, but also an obligation, as all company employees are ultimately responsible for their own safety and that of the people around them. For this reason, Ence's safety programme involves both its own employees and those of collaborating companies.

Occupational risk prevention management model

GRI 403-1

The health and safety management system is governed in accordance with the criteria of the international standard **ISO 45001:2018**; all Ence's industrial operations centres are certified in accordance with this standard. This management model, subject to internal and external audits, has procedures in place to prevent occupational risks linked to the tasks performed and working conditions by providing all employees with tools to ensure safe workplaces. These include the following:

"All Ence's industrial operations centres are certified according to ISO 45001:2018"

Standard Operating Procedures (SOPs)

For **routine work**, they describe the tasks to be carried out, their sequence, as well as the points of special attention from a safety perspective, the main risks of the work and the associated preventive measures.

Work permits

Work permits are required for **non-routine work**. These permits include an assessment of the risks associated with the task, process and installation conditions, as well as preventive measures to mitigate them, and the agreement of all parties involved in the prior execution.

Pre-access training

It is compulsory for all persons accessing the facilities to receive prior training on the risks of the facilities and the centre's emergency plan and to pass a comprehensive test. In addition, the contractor companies follow an approval protocol to ensure that they can carry out the contracted work safely and in compliance with the requirements associated with the regulations on Coordination of Business Activities.

Meetings with contractors

Ence organises meetings with its main contractors to coordinate and work together to improve safety. Contractors are also assessed according to their safety performance and this assessment is taken into account when contracts are renewed.

Particularly Hazardous Work (PHW)

For jobs which, due to their characteristics, may involve particularly hazardous work, Ence has established an additional control procedure, which requires specific and coordinated planning of the work by all parties involved, reflected in a step-by-step procedure describing: work sequence, risks at each stage and preventive measures. In addition, during the works, the safety team undertakes reinforced supervision.

Preventative Safety Observations (PSO)

These are exercises to monitor the quality of execution of safety work, to detect unsafe acts and conditions and to correct them in a constructive manner, as well as to recognise and disseminate best practices. In 2023, in the energy area, a Health and Safety Awards

Procedure has been launched, where the best OPS demonstrating leading safety performance is awarded.

"In 2023, in the energy area, a Health and Safety Awards Procedure has been launched, where the best OPS is awarded."

Second party cross audits

In addition to certification audits and mandatory regulatory audits, Ence has established a programme of internal second-party audits carried out by specialised auditors appointed by the organisation, the results of which are reported to the Board of Directors. This system provides the advantage to an audit process that the internal auditors have a deep understanding of Ence's culture, management tools and working procedures.

Training and innovative technology in the service of safety

Health and Safety training is a key instrument in **preventive action,** promoting a culture of safety in the company and thus protecting the worker against possible risks that may be present during day-to-day operations. For this reason, Ence has designed a training itinerary for all the company's profiles, in which the specific training actions required are defined according to their risk group. A total of 5,422 hours of health and safety training were provided in 2023. Ence also provides its contractors with training and innovative tools for health and safety protection. This is particularly relevant in forestry work, which is a particularly complex challenge due to its characteristics (high level of subcontracting, mostly SMEs, high staff turnover, lack of training, wide geographical dispersion, and changes in working conditions between operations or from one day to the next as a result of weather conditions). In this area, Ence has developed pioneering tools to improve safety management in forestry work, with which it has managed to position itself as a benchmark in the industry in this field. These include the following:

"Ence has developed pioneering tools to improve safety management in forestry work, positioning itself as a benchmark in the industry"

- ✓ Measures to improve awareness and preventive training of contractors, through the creation of SOPs in video or practical **safety awareness days for chainsaw operators**.

- ✓ Measures to minimise the risk of accidents during logging operations with the use of **distance meters**, devices to assist the control of safety distances in the manual felling of trees by chainsaw operators.

In some power plants, distance meters have also been implemented in 2023 as a preventive measure to avoid run-overs in biomass parks. In this case, both the pedestrian and the mobile equipment have an acoustic alarm system that warns when both are in close proximity and also initiates braking of the mobile equipment

- ✓ Development of a **predictive algorithm** that takes into account meteorological factors, particularities of the plot and the task to be undertaken. With this information, the algorithm anticipates the risk level of the operation and the probability of accidents. Before work begins, this information is communicated to the forestry operations manager so that it can be incorporated into the planning of safety measures.

In addition to implementing these tools, Ence also works to serve as a driving force for health and safety in the forestry industry through **agreements with administrations and associations to improve safety in forestry activities** in the regions in which it operates. Examples of this are Ence's participation in working groups with institutions such as the *Instituto Galego de Seguridade e Saúde Laboral*, the Asturian Institute of Occupational Risk Prevention and other companies and associations in the industry.

In 2023, Ence was part of the **ASFORESST working group** (in Asturias) the objective of which is to provide the forestry and silviculture industry with adequate and efficient preventive tools to improve the safety conditions of workers. One of ASFORESST's lines of work is the creation of a specific website with documentation, manuals, guides and reference articles on forest health and safety in Spain.

In addition, in 2023, Ence held the **First Health and Safety Awareness Days for carriers**. The aim of these workshops, which are part of the Logistics Safety Plan, is to raise awareness and sensitise transport professionals to the importance of health and safety. Topics covered at the conference included: driving and road safety, use of PPE, safety distances, loading and transport, crane hooking and unhooking, securing loads, lifting and lowering the truck/crane/platform, among others. At the end of the conference, the "Transporter's Manual" was handed out, which includes all the topics related to risks and safety measures.

"In 2023, Ence held the First Health and Safety Awareness Days for carriers"

On the other hand, and coinciding with the World Health and Safety Day, Ence participated in the conference "*A pe de monte con seguridade*" promoted by the Provincial Association of Businessmen of the First Transformation of the Wood of Lugo. During the workshop, experiences and knowledge about forest safety and forestry operations were shared.

Ence also uses benchmarking with other companies as an exercise to promote the continuous improvement of its safety systems: identifying new safety management opportunities and demonstrating its commitment to a robust safety culture to third parties. In this context, the Directors and Managers of its Joint Prevention Service participated in 2023 in different benchmarking initiatives with other companies, such as the visit to the Estrella de Galicia facilities in A Coruña or the organisation of the ASPAPEL Safety Forum meeting at the Navia Biofactory with the presence of safety professionals from the main companies in the industry.

Also this year, Ence became a member of **PRL Innovación**, an association of professionals in the prevention industry, where it participates in meetings and workshops with leading Spanish companies to share best management practices and respond to common problems faced by the organisations in this association.

Workers' welfare

GRI 403-3, GRI 403-10

As well as ensuring safety in its operations, Ence also makes it a priority to protect health and promote a healthy lifestyle among its employees.

In 2023, Ence continued to work on monitoring the health of its employees and promoting healthy lifestyles, with measures such as:

- ✓ Annual **medical check-ups** for its employees on a voluntary basis. These check-ups include an exhaustive and detailed examination that goes beyond the usual basic parameters and includes specific tests such as electrocardiogram, mammography, spirometry, stress test, visual and auditory examination, chest X-ray, carotid ultrasound, abdominal ultrasound, gynaecological examination, cytology, blood and urine analysis, etc.
- ✓ **Flu vaccination campaign** by providing employees with the opportunity to get vaccinated at their workplaces.
- ✓ The "Ence for your health" **informative bulletins**, which deal with general health issues and promote healthy habits, have also continued to be published.

Ence's health monitoring service not only monitors employees' health, but also draws up **plans to promote a healthy lifestyle**. These plans focus on promoting a balanced diet, smoking cessation, encouraging physical activity and carrying out specific testing campaigns, such as those related to hypertension and cholesterol, among others.

In addition, as part of its social benefits, Ence provides its employees with medical insurance and life and accident insurance, contributing 50% of the contribution to protect both the employee and his or her family.

In addition, in 2023, employee emotional health assessments have been carried out and several talks have been held to improve aspects of daily life such as stress management.

"In2023, employee emotional health assessments have been carried out"

Ence is also responsible of preparing the corresponding epidemiological studies and annual reports in the operations sites. In this regard, Ence has not identified through its risk assessment systems any job positions with a risk of occupational diseases, which is why **no cases of occupational diseases were recorded** in 2023.

2023 Performance

Safety performance is monitored through two types of indicators for which specific targets are set:

Lagging indicators

Accident-related outcome/retrospective indicators

- ✓ Frequency Index (FI)
- ✓ Severity Index (SI)

Leading indicators

Early/prospective indicators assessing proactive prevention activities

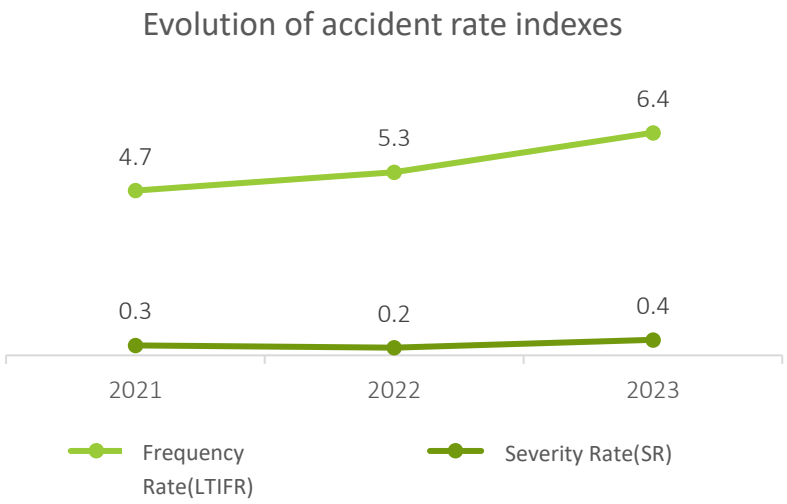
- ✓ no. of OPS
- ✓ no. of audits carried out
- ✓ number of incidents analysed

In 2023, in order to improve the leading indicators, work has been carried out to reinforce the safety culture in middle management at the biofactories, and specific training/workshops have been developed for the first level of the chain of command at the Navia Biofactory, aimed at detecting and effectively correcting unsafe conduct, while at the energy plants a **diagnostic** analysis **of the safety culture** has been carried out, obtaining a score of 4 out of 5, which has included all employees and as a result of which an ambitious safety action plan has been prepared.

The key performance indicators for 2023 are set out in the following tables. These indicators include information not only on Ence's own personnel, but also include data on external personnel, demonstrating Ence's firm commitment to safety for people who work under contract.

Accidents	Internal Staff		External Staff	
Type	Men	Women	Men	Women
Accidents with leave	10	2	18	2
Accidents without leave	23	0	30	2
Total	**33**	**2**	**48**	**4**

Whenever an accident or incident is recorded and, based on the corresponding corporate procedure, it is investigated, with an exhaustive analysis of causes, recorded and communicated, in order to disseminate the main lessons learned. Based on this analysis, a specific action plan is developed and implemented. The accident and incident database is one of the main sources of information and analysis for building the annual Safety FMOs.



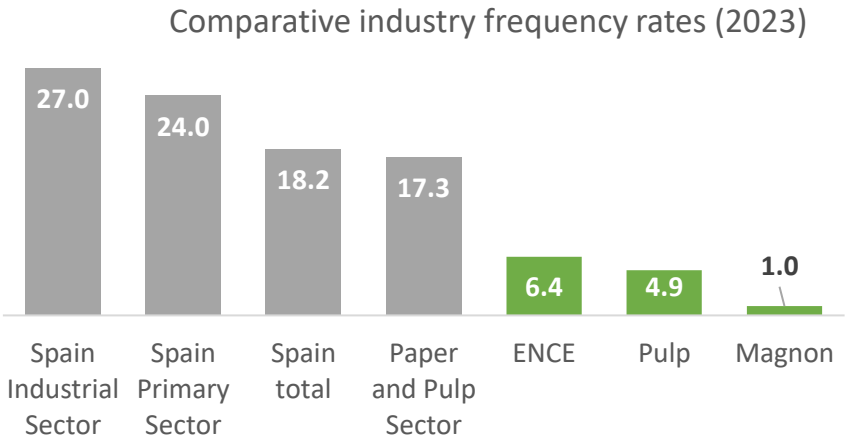
In 2023, both the Lost Time Injury Frequency Rate (LTIFR) and Severity Rate have increased. This is due to the number of accidents has increased compared to the previous year, as has their severity.

Despite the increase in the rates, it should be noted that Ence is still below the main accident rate indicators in Spain. Over the last three
years Ence has been below the levels of the general frequency index of the industry or the cellulose and paper industry in Spain.

"Ence is below the main accident rate indicators of reference in Spain"

In this sense, in 2023, the cellulose and paper business has maintained accident levels (frequency rate) 3.5 times lower than those of the cellulose and paper industry. The energy business is 26.5 times below the levels of industry in Spain.

Maintaining such low levels over time is only possible because of the company's strong safety culture.



Source: Spanish Ministry of Labour, ASPAPEL, EPIS, FEIQUE (data published in 2023).

Eco-efficient operations

Key milestones in 2023

100% of facilities with **quadruple certification**

ISO 45001	ISO 14001	Zero Waste	SURE System

Best historical values in biofactories for the ratio of water consumption/tAD and odour impact and odour minutes.

Respect for the environment and the search for efficiency in the use of energy and raw materials in industrial operations are key principles of Ence's actions. Following this maxim, Ence develops its industrial processes with the utmost respect for the environment, applying the best available techniques and continuous improvement to reduce environmental impacts, optimise the efficiency of its operations and guarantee the well-being of neighbouring communities and thereby earn a social licence to operate.

Environment policy and principles

Environmental protection and respect for the environment is one of the principles of action set out in Ence's **Code of Conduct and Sustainability Policy** and forms part of the company's values.

To guarantee this principle, Ence incorporates the main environmental vectors on which the company's operations have an impact into its Sustainability Master Plan.

Ence's commitment to the environment not only includes compliance with legal requirements and those included in environmental authorisations, but also goes further by setting more ambitious annual targets than the regulations for the most relevant environmental aspects. The objectives include the optimisation of the use of raw materials; the recovery of the waste generated; the optimisation of water consumption and minimisation of discharges; and the reduction of emissions.

Furthermore, aware of the impact on local communities, it sets specific targets for those aspects which, without being the most critical in environmental terms, are of particular relevance to ensure coexistence with neighbouring communities, such as noise and odour.

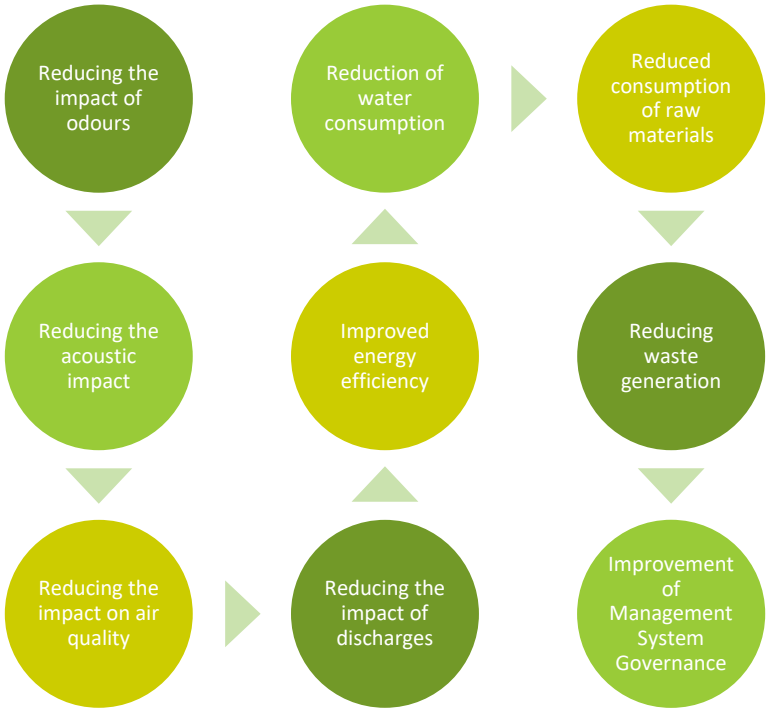
"Environmental objectives are monitored and included in the variable remuneration schemes of the workforce"

Environmental objectives are monitored, reviewed by the Management Committee and the Board and included in the variable remuneration schemes for staff on an ongoing basis.

Environmental management model

The commitment to excellence in environmental management is set out in the company's **Management Policy** and is based on going beyond compliance with current legislation, applying the principles of prevention and precaution and following the principle of continuous improvement.

In this way, Ence has been applying the **TQM** (Total Quality Management) **model** for more than ten years in its management as a lever for cultural transformation, integrating the aspects of quality, health and safety, respect for the environment and pollution prevention. An Environmental Policy exists within the framework of this model, which defines the company's general objectives on the matter, and a series of Fundamental Improvement Objectives (FIO) aimed at ensuring the proper management of the following environmental vectors:



Ence, in addition to implementing improvement measures contemplated in the TQM framework, has designed **tools** to improve the environmental management of its facilities. These tools focus especially on raising awareness and involving all the people who are part of the organisation, with the aim of establishing a strong culture of environmental awareness and respect at all levels, and to plan adequately any operation with potential environmental impact in order to minimise its possible consequences:

Environmental Preventive Observations (EPO)	The objective of the EPOs is to raise awareness and improve the environmental performance of operations through the active participation of employees. They are designed to identify actions and process/facility conditions that are not aligned with Ence's

environmental management principles, with a view to correcting them constructively. By 2023, more than 4,100 EPOs have been registered.

Particularly Environmentally Hazardous Work (PEHW)

The objective of the PEHWs is to identify and plan in an appropriate way those interventions that may have potential risks for the environment. In this way, such work is subject to review and approval by the chain of command and the facility's environmental team prior to implementation. In 2023, more than 120 PEHWs were carried out.

These tools are a concrete example of Ence's application of the **precautionary principle**. Through them, a proactive analysis of potential risks and impacts is carried out prior to carrying out an action, especially when not all the necessary information is available or when the action is to be carried out for the first time. In this context, Ence prioritises the protection of environmental values over the execution of the project. The company's management only approves the action when it is satisfied that the prevention/containment measures are sufficiently robust, and ensure that the implementation is carried out in an environmentally responsible manner.

Environmental certifications

Ence has established an **Integrated Management System** to ensure the alignment of all the company's activities with its Management Policy. The implementation of this system follows the following international standards:

- ✓ UNE-EN-ISO 9001, for quality management
- ✓ UNE-EN-ISO 14001, for environmental management
- ✓ UNE-EN-ISO 45001, for occupational health and safety management
- ✓ UNE-EN-ISO 50001, for energy management

This system is certified by an accredited body that carries out the corresponding audits annually. In addition to these certifications, Ence has the following certifications that recognise the good work and excellence of its operations in environmental performance:

The Pontevedra and Navia biofactories and the Huelva energy operations centre are adhered to Regulation 1221/2009 of the European Union **Eco-Management and Audit Scheme (EMAS)**, being in all cases, the longest-standing organisation within their Autonomous Community, adhered to these ecosystems.

Likewise, Ence's firm commitment to environmental preservation has led to its cellulose being approved with the **Nordic Swan Ecolabel** since 2014. This ecolabel ensures compliance with stringent requirements in areas such as climate change mitigation, energy efficiency and responsible use of resources, including water, chemicals and raw materials.

On the other hand, the cellulose manufactured in Ence's biofactories has obtained validation as a raw material in accordance with European Union Decision (EU) 2019/70, which establishes the criteria for the award of the **EU Ecolabel** applicable to graphic paper, tissue paper and tissue paper products. This recognition supports Ence's commitment to environmental standards in cellulose production, consolidating its leading position in respect for the environment.

"In 2023, the excellent environmental performance of the biofactories has been recognised by AENOR, which has awarded Ence for 20 years of caring for the environment in Pontevedra."

In the area of the **circular economy**, in 2023 Ence maintained high recovery and recycling rates of over **99% of total waste, i.e. less than 1% of the waste generated is sent to landfill**. This has made it possible to maintain all its facilities with AENOR Zero Waste certification.

Since 2021, Ence has implemented a management system to validate the sustainability of biomass in accordance with the **German SURE scheme**. This certification has been established to ensure compliance with the requirements of the Renewable Energy Directive (EU) 2018/2001, which sets out stringent sustainability criteria that biomass used in power generation must meet. In 2023, all Ence facilities will have this certificate. This year, the scope of certification has also been extended to include the calculation of CO_2emission reductions.

The main certifications of Ence's centres are summarised below:

Site	ISO 45001	ISO 14001	ISO 9001	ISO 50001	EMAS	Zero Waste	Nordic Swan	EU Ecolabel	SURE SYSTEM
Pontevedra Biofactory	✓	✓	✓	✓	✓	✓	✓	✓	✓
Navia Biofactory	✓	✓	✓	✓	✓	✓	✓	✓	✓
Huelva Energy Complex	✓	✓	✓		✓	✓	N/A	N/A	✓
Mérida Plant	✓	✓				✓	N/A	N/A	✓
Lucena Plant	✓	✓				✓	N/A	N/A	✓
Enemansa Plant	✓	✓				✓	N/A	N/A	✓

Site	ISO 45001	ISO 14001	ISO 9001	ISO 50001	EMAS	Zero Waste	Nordic Swan	EU Ecolabel	SURE SYSTEM
La Loma Plant	✓	✓				✓	N/A	N/A	✓
Biollano Plant	✓	✓				✓	N/A	N/A	✓

In addition to these certifications, the two cellulose mills are adapting their systems for the implementation of the Food Safety Management System with the aim of being certified according to ISO 22000 for food safety in the first months of 2024.

Best available techniques and environmental authorisations

In carrying out its activity, Ence undertakes to meticulously comply with applicable legislation in all its operations, and to adapt its process to the Best Available Techniques (BAT), in accordance with the BREF documents of the cellulose and paper industry (Best Available Techniques in the Pulp and Paper Industry 2014), as well as the BAT established in accordance with Directive 2010/75/EU for large combustion plants (LCP) in 2017.

As part of its process of adaptation to BATs, Ence has focused on the implementation of different types of emission purification systems according to the needs of each plant. Thus, during 2022 and 2023, in the Navia biofactory, a project has been carried out to adapt the HCl emission abatement system in the biomass boiler to achieve values lower than those proposed by the BREF document of the GIC. The results of this project have been satisfactory, achieving by the end of 2023 alignment with the value proposed by the BREF of 25 mg/Nm^3.
In the case of the Pontevedra biofactory, with the aim of reducing particle emissions, during the annual technical shutdown, investments have been made in improving the electronics of the biomass boiler's electrofilters, changing from ESP transformers to SIR technology. Although, due to its thermal power, the values proposed by the BREF do not apply to it, at the end of the year these improvements have already achieved a significant reduction in emissions in the last months of the year and are still being optimised by the technologists so that it is expected to be in line with the particulate emissions values proposed by the BREF of 30 mg/Nm^3 next year.

All Ence's industrial plants have their Integrated Environmental Authorisation (IEA) or Industry Authorisation, which establishes the environmental conditions for the operation of the facilities. These authorisations include the limit emission values based on the best available techniques as well as the monitoring plans for all relevant environmental aspects. Ence strives to improve the limit values defined in its IEAs on a day-to-day basis and regularly informs the relevant authorities of its progress. The IEAs of Ence's plants are publicly available in the registers of the administrations of the corresponding Autonomous Communities. In addition, it is common that the values for the operation and control of the process in the environmental field within the plants are set well below those defined in the IEAs.

Investments as a lever for environmental excellence

Ence's commitment to protecting and respecting the environment translates into significant investments to apply the best available techniques and improve the efficiency of its processes, including most notably in purification and emission measurement systems, alternatives for reducing water consumption and its pollutant load, and improving air quality, all of which contribute to further reducing potential environmental impacts and improving its relations with the surrounding communities.

"In the 2023 financial year, the company has earmarked more than €27.6M to implement environmental improvements at its facilities."

In the 2023 financial year, the company has earmarked more than €27.6M to implement environmental improvements at its facilities.

Environmental risk management

Ence identifies environmental risks through **Environmental Risk Analyses (ERA)**, pursuant to Environmental Responsibility legislation (Act 26/2007), and according to the periodic evaluations of environmental aspects established by its Environmental Management System. This process makes it possible to identify potential situations that could lead to environmental impacts and to establish preventive measures to avoid this happening. In addition, Ence carries out regular internal and external audits to, among other things, assess the implementation of prevention measures at the plants.

Additionally, in 2023, the company has prepared an environmental diagnostic analysis of the Lucena power plant, identifying and assessing the main risks, based on the degree of compliance with applicable environmental legislation in force, current environmental conditions at the site, and potential adverse impacts as a result of operations at the site, or on adjacent or surrounding properties. The analysis confirms compliance with all the requirements of the Unified Environmental Authorisation and other regulations, as well as the correct control of the risks existing in the plant.

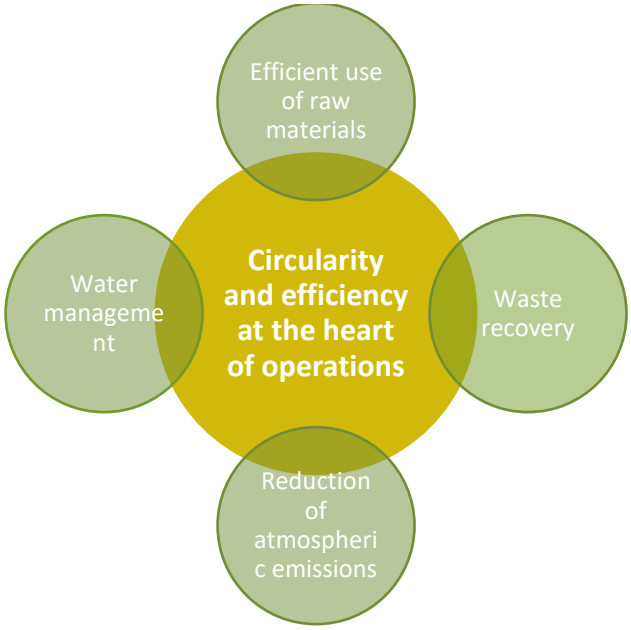
The company also has a Management of Change (MOC) procedure that evaluates the possible consequences of any change in the industrial process on safety, health and environment before its implementation, establishing the necessary preventive measures.

In 2023, the company has also updated its climate risk analysis for all facilities. For more details see section "

Climate risk and impact assessment".

Circular economy at the heart of operations

For Ence, the circular economy is not only reflected in its business strategy by manufacturing biomaterials, alternatives to plastic products with a larger environmental footprint, and generating renewable energy from agroforestry waste, but it integrates the principles of the circular economy at the heart of its operations, reducing the specific consumption of materials and energy and working to recover as much waste as possible.



Efficient use of raw materials

GRI 301-1, GRI 301-2, GRI 301-3

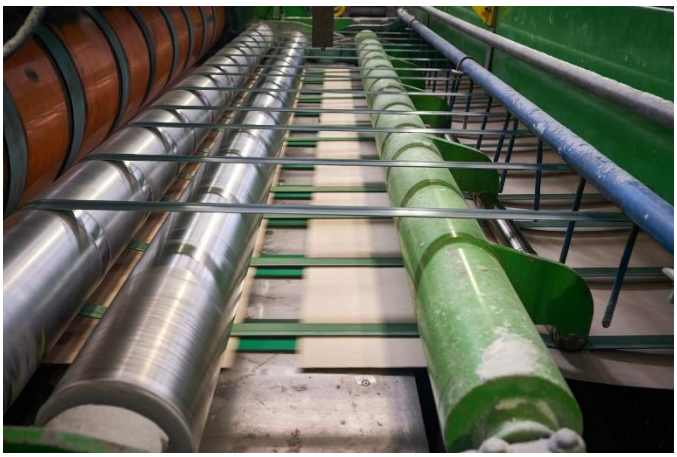
In Ence's production processes, the key materials are **wood and biomass**. Wood is consumed in the biofactories for the production of cellulose pulp while biomass is used in all installations as a source of energy.

Pulp production

In the production of cellulose pulp , Ence uses mainly eucalyptus wood as raw material, mostly from local sources. This resource is used in an integrated manner: cellulose is used for cellulose production, while by-products such as lignin and bark are used for energy generation. This approach makes the process not only self-sufficient, but also generates an energy surplus. The excess renewable electricity is fed into the grid, helping to decarbonise the national electricity mix.

Wood consumption (M m^3)			
Biofactory	2021	2022	2023
Navia	1.8	1.8	1.9
Pontevedra	1.3	0.7	1.1
Total	**3.1**	**2.5**	**3.0**

The data for the Pontevedra biofactory for the 2022 financial year were affected by the four months of inactivity of the plant caused by the drought suffered in the region and the consequent unavailability of water for the process.



During this process, other additives such as soda and lime are used to separate and treat the cellulose. However, it is important to note that this process is carried out in a closed cycle, which means that most of the additives used are recovered and reintroduced into the system. In addition to these essential materials for production, Ence also uses other reagents for the treatment of effluents and gases released, thus contributing to minimising its environmental impact.

Consumption of other raw materials is detailed in Annex II of this report.

Ence guarantees that all chemical products used in its facilities comply with the requirements of Regulation 1907/2006 on the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH). In addition, Ence requires its suppliers to ensure that the compounds supplied comply with the relevant safety data sheets and are duly labelled in accordance with current European regulations.

Chlorine-free bleaching

In its efforts to reduce the environmental impact of the cellulose production process, Ence is committed to chlorine-free bleaching in its biofactories:

- ✓ In Navia, it implements the ECF (Elemental Chlorine Free) process, which involves replacing elemental chlorine with chlorine dioxide.
- ✓ At Pontevedra, it uses a TCF (Totally Chlorine Free) process, in which no chlorine compounds but rather hydrogen peroxide is used as a bleaching agent.

Ecodesign in products

Ence is working on the **eco-design** of its products, developing new cellulose products that require lower consumption of raw materials and chemicals, strengthening its circular economy strategy:

- ✓ ***Naturcell*** unbleached cellulose, which does not require bleaching agents, thus eliminating the consumption of a large part of the chemical products used in the process.

- ✓ ***Powercell*** cellulose, a product capable of replacing long fibre in several applications that requires less wood consumption per tonne of cellulose produced, as well as less chemical product consumption in its bleaching stage.

"Ence Pontevedra receives the Galician Chemical Business Excellence Award 2023, the most prestigious award in the Galician community in this discipline."

Electricity generation from biomass

In the case of **energy plants**, the main material consumed is biomass, mainly of agricultural origin (plant waste, pruning, etc.), although forest biomass is also consumed (forest waste from forestry and fire prevention work, mainly) and biomass of industrial origin such as olive pomace (from the olive oil industry).

Biofactories, on the other hand, mainly use biomass of forestry origin (forest residues).

Biomass consumption (thousand of t)			
Biofactory	2021	2022	2023
Navia	359.7	364.2	390.5
Pontevedra	279.1	179.5	236.3
Huelva	694.1	885.0	612.3
Merida	203.3	186.1	159.7
Enemansa	102.6	71.4	0.0
La Loma	91.4	83.5	73.1
Lucena	117.6	123.2	61.3
Biollano	283.8	284.8	200.9
Total	**2,131.6**	**2,177.6**	**1,734.1**

The decrease in biomass consumption in Huelva, Biollano and Lucena is due to the plants have not been operational 12 months of the year. In the case of Enemansa, the plant had no activity in 2023.

As in biofactories, several chemicals are used in power plants to treat wastewater effluents or emissions. For example, ammonia is used to reduce the amount of nitrogen oxides (NO_x) in flue gases and lime is used to reduce sulphur dioxide (SO_2) and hydrochloric acid (HCl) emissions. Moreover, the Huelva plant consumes sand for the fluid bed boiler.

Nurseries

As for the nurseries, the main materials used are substrates and fertilisers. Other materials such as trays from seedbeds or wooden pallets are continuously reused in these facilities to give them a second life. Consumption of other raw materials is detailed in Annex II of this report.

Waste recovery

GRI 306-1, GRI 306-2, GRI 306-3, GRI 306-4, GRI 306-5

Because the raw materials used by Ence are of natural and renewable origin, the vast majority of the waste generated at its facilities is recoverable and can be used in other applications.

Main waste	Waste recovery
Biofactories	
Limestone ashes, dregs and bio-sludges	Limestone sludge can be used to **replace chemicals in effluent neutralisation**.
Power plants	
Ash and slag from biomass boilers	Ash can be used in the production of **technosoils or fertilisers**. In particular, the ashes of plants that mainly consume pomace have great potential for replacing potash in the production of fertilisers. Ence, aware of the value of this material, has been a pioneer in promoting its reuse and its value in the market and currently markets this by-product at several of its plants.

"In 2023, Ence obtained AENOR's Zero Waste certification for all its operating centres."

In 2023, Ence obtained AENOR Zero Waste certification at all its plants, which recognises the company's progress in maximising the volume of waste recycled or recovered, as well as minimising the waste generated. In 2023, Ence has recovered more than 99% of its waste, i.e. less than 1% of the waste generated is sent to landfill. The main initiatives related to waste reduction and recovery are listed below:

1. In the **cellulose production biofactories**, Navia has obtained, in 2023, definitive authorisation for the energy recovery of the bio-sludge from the secondary treatment of its sewage treatment plant (those from the primary treatment are already recovered). Thus, during the year 2023, more than 6,400 tonnes of this type of bio-sludge will be recovered in the Biomass Boiler, thus contributing to a significant reduction in the carbon footprint associated with the transport of this waste, following the pilot tests undertaken during the year 2022, the analysis of which concluded that no effects were observed in the alteration of pollutant emissions through the chimney.

   As part of its commitment to the circular economy, Ence is actively involved in collaborations with research centres through studies and collaborations with specialised entities, such as the Spanish National Research Council (CSIC). These initiatives demonstrate Ence's ongoing commitment to innovation and the search for sustainable solutions for its waste.

2. In the **power plants,** during 2023, work has been carried out on several research projects to achieve the recovery of slag and ash and thus provide them with a new use as fertilisers or the generation of artificial aggregates, among others. Highlights:

- ✓ Work has continued on the procedures for obtaining **classification as a by-product of** the Huelva **ashes** as a substitute for the backfill paste used in underground mining operations. In the last quarter of the year, a favourable resolution proposal was received from the Junta de Andalucía. This is a joint and shared achievement as it is a clear example of collaboration with other companies in the circular economy, where waste is recovered, management costs are reduced and it is turned into raw material, thus avoiding degradation of the natural environment and CO_2 emissions are reduced.
- ✓ Collaboration with different **associations from other industries** such as aggregates, asphalt, cement, mining, etc., to highlight the possible incorporation of Ence materials in different production processes, thus promoting industrial symbiosis between industries.
- ✓ As part of the initiatives associated with continuous improvement, Ence remains committed to R&D&I projects with high potential, such as a **pilot plant for the creation of technosoils** aimed at recovering the environment of mining facilities thanks to the remediation capacity of the artificial soils created mainly with waste from Ence's plants.
- ✓ Another clear example of business-to-business collaboration on sustainability was the **Phoseco project** developed in 2023. The goal was to study the recovery of phosphorus contained in biomass combustion ashes for incorporation into fertilisers.
- ✓ Ence has also collaborated in the second phase of the **LIFE Icirbus 4 Industries project**, which evaluates the actions carried out in the field of circular economy. In the first phase of the project, with satisfactory results, the Mérida plant participated by providing the ashes for the tests.
- ✓ The initiative launched in 2022 to **return the fines** that arrive with the biomass **to the source** in order to avoid soil degradation due to agricultural and forestry exploitation continues. With this initiative, a natural material with value for the fight against desertification and soil degradation is returned. Thus, by 2023, the vast majority of the fines produced at the Puertollano and Mérida plants will have been managed for return to the agricultural plots.
- ✓ Approval has been obtained for the research, development or experimentation activity of the production test project for the **recovery of wood packaging waste** at the Mérida and Puertollano plant facilities where tests are being carried out.
- ✓ At the Huelva plant, research, development and experimentation activities are being carried out on the **OGH** (wet fatty pomace) **drying project**, which is due to be completed in one year.

As for the **treatment process,** the waste generated at Ence's plants is collected and managed by authorised waste managers in accordance with current legislation. In terms of **packaging**, Ence only uses paper and wire to protect the pulp bales. Paper can be incorporated by the customer together with the pulp into their process and the wire is recovered by the customers for recycling.

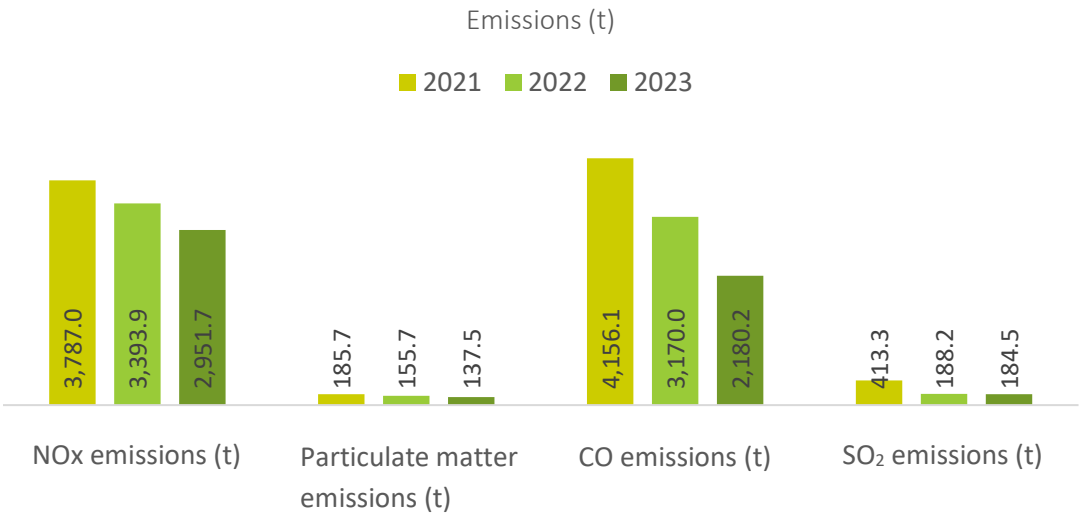
Reduction of atmospheric emissions

GRI 305-7:

The management of atmospheric emissions is another of Ence's priority environmental objectives. In this context, both Ence's biofactories and power plants have continuous measurement systems to monitor the main emission parameters and ensure not only that the limits set by their environmental authorisations are met, but also that the reduction targets set by the company are achieved. Ence has advanced emission purification systems (or pollutant abatement in emissions) such as the catalytic reduction systems (SCR) for NO_X emissions at the La Loma and Enemansa plants and non-catalytic reduction (SNCR) at Navia. In this area, the following actions should be highlighted:

- ✓ In 2023, at the Pontevedra biofactory, a new **system for the abatement of particles in the biomass boiler** has been implemented, which will improve the emissions of this focus and will result in an improvement in air quality. Specifically, it is a SIR system, which improves the efficiency of the existing electrostatic precipitator to optimise abatement levels.
- ✓ In the Navia biofactory, **an abatement system was implemented to reduce the emission of HCl** in the biomass boiler. These emissions are produced by the presence of

chlorine in the recovered biomass. To reduce them, a system has been designed to supply an absorbent additive (Sorbacal® SP) to the boiler, which neutralises most of the emissions of this gas. Thus, by the end of 2023, Ence has managed to keep its emissions below the BREF limit regarding the best available techniques of the GIC BREF.



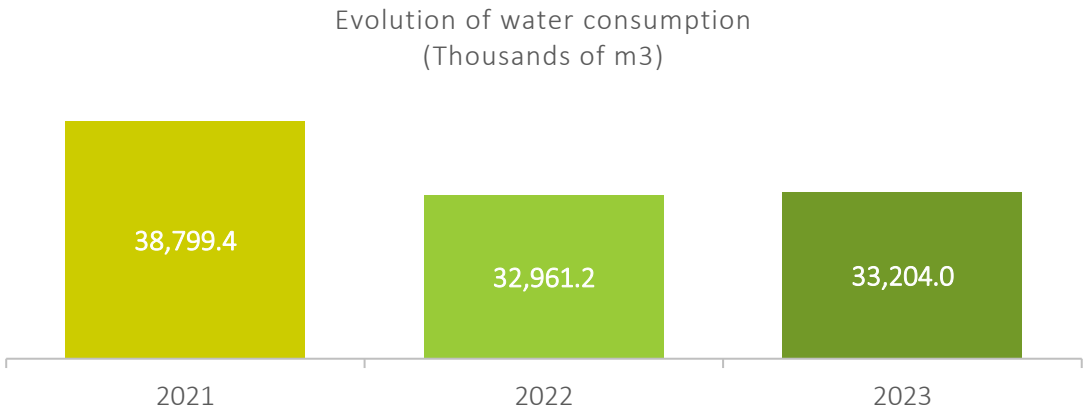
Greenhouse gas (GHG) emissions are detailed in the chapter "Commitment TO THE CLIMATE" of this report.

Water footprint management

GRI 303-2, GRI 303-3, GRI 303-5

Water is used in the cellulose production process in biofactories, mainly during the washing phase. In biomass plants, water is also consumed mainly in the cooling systems. One of the priorities of Ence's Sustainability Master Plan is the management and optimisation of its water footprint, covering both efficiency in the use of water resources and improving the quality of the effluents released.

Securing water supply and reducing water consumption is one of Ence's priorities, especially in the biofactories, as it is also a measure for adapting to climate risk. So, in biofactories, annual objectives are set for the reduction of specific water consumption (m^3/t of cellulose produced).



In 2023, total water consumption has remained stable compared to 2022, however, the production of biofactories has increased considerably.

The unavailability of water resources due to changes in rainfall patterns in the region is a climate risk that has already materialised, in particular the Pontevedra biofactory was affected by drought episodes in 2022 and 2023. In this regard, in 2022, Ence launched a pilot project for the recirculation of effluent from the facility itself and the reuse of water from the discharge of municipal wastewater from the WWTP near the plant. In 2023, the pilot project was completed and progress was made on the engineering and permitting of the final industrial project.

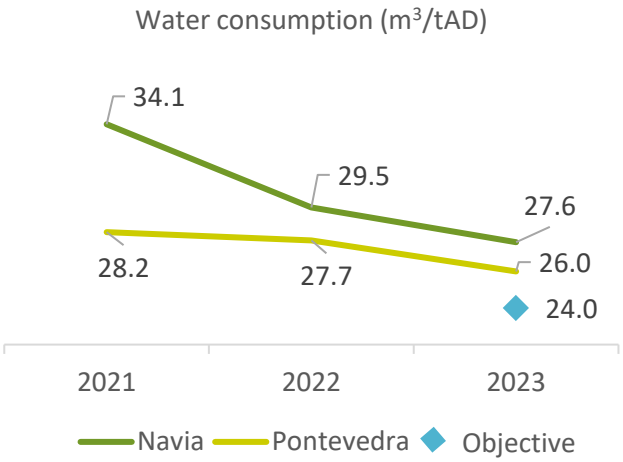
The proposed solution involves subjecting the effluent from the plant and the effluent water from the WWTP to reverse osmosis treatment in order to achieve sufficient water quality to incorporate it into the industrial process, and treating the effluent from the treatment with technologies that ensure compliance with the relevant BREFs.

With this solution, a pioneer in the industry, Ence will reduce its dependence on water from the river Lérez in periods of drought or shortage when the river does not reach sufficient flow (ecological flow) to supply water to the plant.

"With this solution, a pioneer in the industry, Ence will be able to reduce its dependence on river water during periods of drought or scarcity"

In addition to this project, a new tertiary treatment plant was installed in 2023 at the biofactory's wastewater treatment plant, consisting of a filtration system and an Actiflo® clarification system that improves the quality of the effluent and prepares it for the osmosis process.

As for the Navia biofactory, an ambitious operational improvement plan has also been implemented to reduce water consumption, with initiatives such as closing circuits, reusing condensates, recovering water from backwashing and reusing water from scrubbers. Thus, at year-end, a reduction of 7% has been achieved compared to the previous year's consumption ratio and 19% compared to 2021.



It is worth noting that both biofactories have managed to reduce their water consumption ratios compared to the previous year, which had been the best in their historical series.

In the area of energy, reduction targets (m^3/MWh generated) have also been set for 2023. The main measures for the improvement of water management in power plants include:

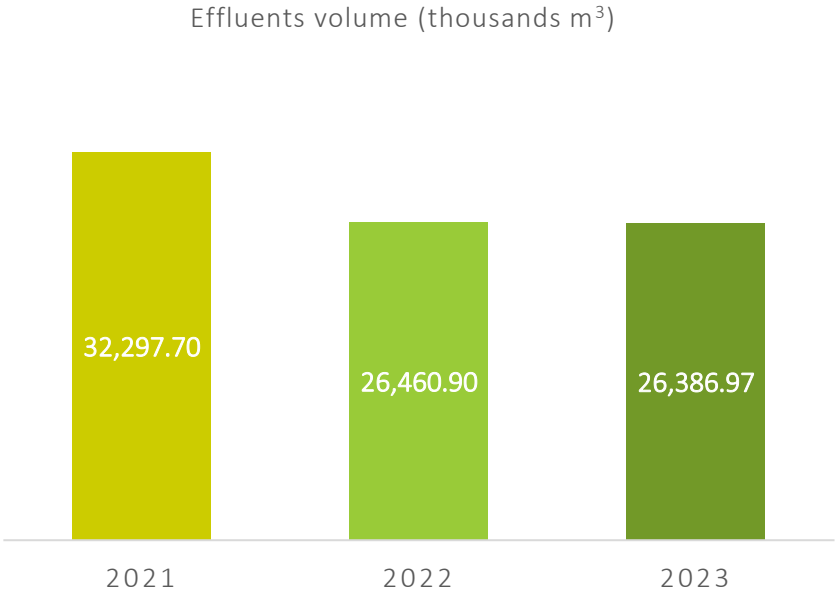
- ✓ Implementation and start-up in 2023 of **kidney filters** at the Puertollano plant to reduce water consumption thanks to its reuse by increasing the number of cycles in the cooling towers. This measure is also planned to be implemented at the Huelva plant (HU46).
- ✓ Moreover, in 2023, **leakage points were identified** in several of the plants, accompanied by a repair plan, thus reducing water loss and water consumption. This plan for the identification and repair of leaks in pipes and pipelines will continue to be implemented in line with the procedure for the inspection of supply and discharge channels and pipelines.

The water that Ence uses in its biofactories and power plants comes from surface water or underground sources, in accordance with the corresponding environmental authorisations. The facilities of the biofactories with the highest consumption are located in areas at risk of low water stress, according to the WRI (World Resources Institute) Aqueduct map:

Site	Main source of supply	Risk level according to WRI
Navia	Surface water: Navia river	Low
Pontevedra	Surface water: Bora dam on the Lérez river Wastewater WWTP Placeres	Low
Biollano	Surface water: Montoro reservoir	Low
Merida	Surface water: Guadiana river	Medium-High
Enemansa	Groundwater. Aquifer borehole 23	High
Huelva	Surface water: El Sancho dam on the Tinto river	Very High
La Loma	Municipal supply	Very High
Lucena	Wastewater. Lucena WWTP	Very High

In plants in areas with very high water stress, such as La Loma, the plant does not extract surface or ground water, but is supplied by the municipal water supply. In the case of Lucena, it stands out for its innovative use of treated water from the municipal WWTP. On the other hand, in the case of Huelva, supply from the El Sancho reservoir, being its own resource, the use of which is intended solely for industrial supply, does not compete with or represent a detriment to the water resource in comparison with other priority non-industrial uses.

In its commitment to minimise water use, Ence not only strives to reduce water consumption, but also works to reduce the quantity and raise the quality of its effluents above the standards required by its environmental authorisations. Ence therefore implements several treatment and purification processes with the aim of optimising the quantity and quality of its waste, adopting an ongoing improvement approach.



At the Navia biofactory in 2023, work continued on reducing the quantity and improving the quality of its effluent beyond the requirements established in its environmental authorisation (AAI) with the consolidation of improvements in the effluent treatment plant by optimising the biological system and the cooling system. All the effluent parameters of the Navia biofactory plant are well below the limits set in its IEA, in particular for COD (Chemical Oxygen Demand), the main measure of effluent quality, the value is 3.16 kg/tAD compared to the maximum of 7 kg/tAD established in the European BREF standard for best environmental practices in the cellulose industry.

In Pontevedra, the results achieved in previous years have also been strengthened. All of the plant's effluent parameters are well below the limits set in the IEA, including COD, which with a result of 3.15 kg/tAD improved by 55% over the limit set in the discharge permit. The evolution of this figure confirms the progress that the biofactory has made in the quality of its final effluent, with Ence Pontevedra's COD improving by 84% the reference range above, set by the European BREF standard for best environmental practices in the cellulose industry.

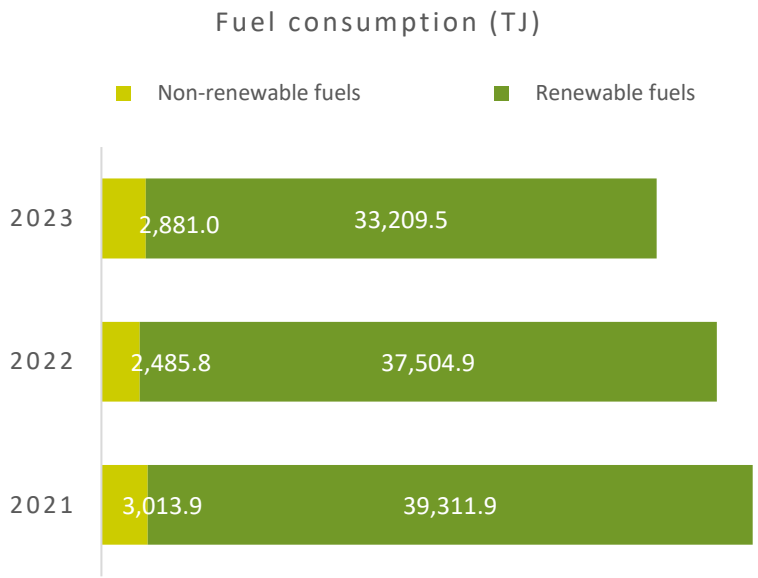
Energy use and energy efficiency

GRI 302-2, GRI 302-3, GRI 302-4, GRI 302-5

Ence generates renewable energy at its biofactories and at its power and energy plants, working to improve the energy efficiency of its production processes, promoting self-consumption and reducing reliance on fossil fuels.

Fuel use

Most of the **fuels** used by Ence are **of renewable origin**, mainly biomass.



In the case of **biofactories**, the biomass used comes mainly from the wood itself used in the cellulose production process; specifically, the bark and lignin, making this process a closed cycle by using the wood in its entirety.

Although in smaller quantities, **non-renewable fuels** such as fuel oil or natural gas are also used in lime kilns or as auxiliary fuels in boilers. In 2023, in line with the Decarbonisation Plan, and following the successful initial research and subsequent implementation of the project and obtaining the Administrative Authorisation, the Navia Biofactory has replaced part of its consumption of fossil fuels in the lime kilns with **biomethanol**, which is a biofuel obtained from the treatment of gases from the digestion process with zero contribution in terms of greenhouse gases. The use of biomethanol can replace up to 10% of natural gas consumption. This action is part of Ence's Decarbonisation Plan, which foresees the substitution of fossil fuels for other alternatives, such as the use of pulverised biomass, which will reduce dependence on fossil fuels by replacing them with other renewable fuels. The initiatives included in the Decarbonisation Plan at the Navia Biofactory have enabled a 30% reduction in scope 1 emissions compared to the previous year. For more details see section "Decarbonisation plan".

Ence's commitment to improving the energy efficiency of its processes has enabled **both biofactories** to **be certified under the UNE-EN ISO 50001:2018 standard**.

At Ence's **power plants**, agroforestry biomass serves as the main fuel, occasionally supplemented by auxiliary fuels such as fuel oil or diesel during start-ups or shutdowns. At the Lucena plant, natural gas is used in the cogeneration facility.

Ence's energy efficiency strategy at its generation facilities focuses on reducing self-consumption. To achieve this, photovoltaic installations have been implemented to cover the needs of both auxiliary services and biomass treatment plants.

By 2023 the company has such plants in operation in:

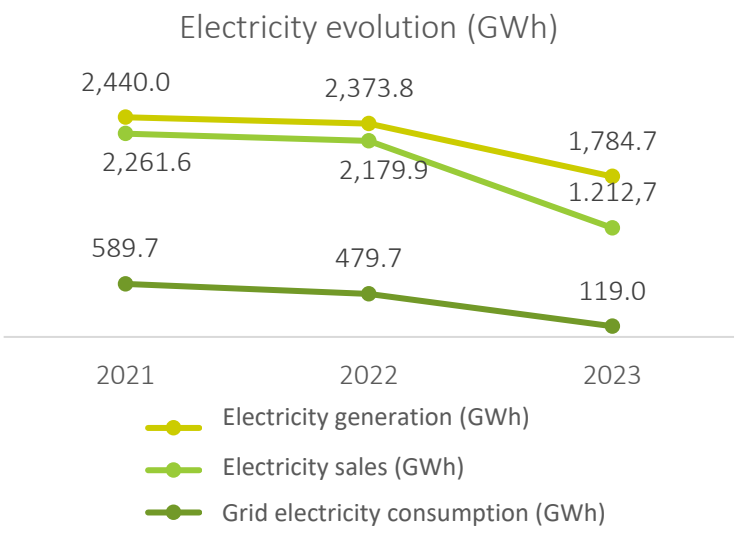
- ✓ Huelva: intended for self-consumption of ancillary services. Another such plant is under construction.
- ✓ Mérida: aimed at reducing the grid consumption of the biomass treatment plant.

In forestry, the main fuels used are petrol and diesel, which are used in forestry technicians' vehicles and nursery equipment.

Electricity generation and consumption

In its biofactories and independent power plants, Ence produces renewable electricity from biomass. This approach not only contributes to decarbonising the electricity mix, but also brings stability to the grid, as supply is manageable and not subject to weather factors such as solar radiation or wind speed.

In biofactories, most of the renewable energy generated is fed into the grid. However, in 2023, Ence changed the consumption regime from the usual situation of the *all-electricity* market system (buying all that is consumed and selling all that is generated) to a self-consumption regime, with the surplus being fed into the grid. As a result, almost 85% of the electricity consumed is of renewable origin and comes from self-consumption. This has led to a reduction of almost all Scope 2 emissions from biofactories.



In power plants, while most of the renewable energy generated is fed into the grid, some is also used internally for their own consumption. In addition, at specific times, such as annual maintenance shutdowns and for the supply of certain auxiliary installations, the plants also consume electricity from the grid.

In 2023, the volumes of generation, sales and electricity consumption have decreased because Huelva, Mérida, Biollano, La Loma and Lucena have not been operational for 12 months of the year. In the case of Enemansa, the plant had no activity in 2023.

Heat generation for sale

Magnon Energy Services (MES) focuses on the development of industrial heat generation projects, allowing its clients to replace fossil fuel boilers such as natural gas with renewable fuels such as biomass.

MES is responsible for the commissioning, maintenance and operation of these boilers. In 2023, MES signed its first heat sales contract for a major food company in Spain.

The Lucena cogeneration plant also produces heat, which is used in the adjacent pomace plant for drying the pomace.

Heat sales (TJ)	2021	2022	2023
Magnon Energy Services	-	-	35.3
Lucena	480.0	302.3	265.5

The sale of heat in Lucena has decreased because the plant has not been operational 12 months of the year.

A responsible neighbour

GRI 413-2:

Ence considers coexistence and respect for the communities where its facilities are located to be key, and securing a social licence to operate is a strategic priority for the company. In this sense, Ence focuses its efforts on priority environmental aspects that may affect nearby communities, such as noise impact, air quality or possible odours generated by the biofactories. Ence is committed to ensuring that its operations do not cause a nuisance to local residents and establishes permanent communication channels to receive and promptly address any reported incidents.

Mitigation of the impact of odours

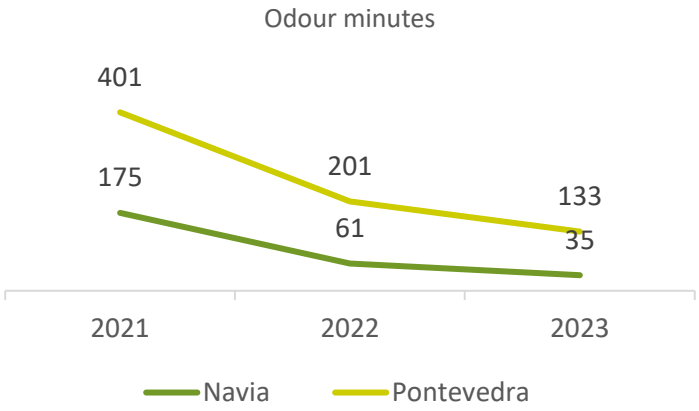
The pulp production process generates reduced sulphur compounds which, if not properly managed, can cause odorous impacts in the vicinity of the plants. Fully aware of the importance of managing this environmental aspect effectively and maintaining the social licence to operate, Ence made it a priority to minimise the odour impact of its biofactories as much as possible. More than ten years ago, the company implemented the **Zero Odour Plan**, and thanks to the actions carried out under this plan, odour emissions in both biofactories have been reduced by more than 99% since the launch of the plan. Despite these significant achievements, Ence continues to set annual targets for the ongoing reduction of these emissions.

In 2023, further progress has been made in this area by consolidating projects aimed at mitigating odour impacts. In Navia, the project for the control of diffuse odour sources continues, with measures such as odour abatement in the area surrounding the DAF (Dissolved Air Flotation unit of the primary effluent treatment system) using an anti-odour additive, improved operational control of the effluent treatment plant and the installation of new SH_2 meters in the area. Additionally, the investments have been approved, and the engineering for the hooding of the DAF to improve the abatement of vapours from the mixing chamber and the neutralisation of effluents entering the treatment plant, which were two of the points identified as having the greatest diffuse odour desorption, has been put into operation. In addition, improvements associated with odour reduction were included in the 2023 Fundamental Improvement Objectives (FIOs), including improved shutdown procedures with an environmental focus and improvements in the planning of Special Environmental Risk Works (SREWs) or the improvement in the identification of odorous events with the extension of the olfactory network with the monitoring of new SH_2 meters installed.

Thanks to all these efforts, in 2023, it is worth highlighting the positive evolution of the cellulose biofactories compared to 2022, where the odour index has been reduced by 34% and 17% as well as by 43% and 34% the odour minutes in Navia and Pontevedra, respectively, with both plants at levels that exceed the best data in their historical series.

Ence has developed an internal methodology to monitor the odour impact of its facilities. This methodology is based on a predictive system that uses meteorological variables to anticipate possible odour events. This system is used to plan process interventions in a way that minimises their impact. In addition, Ence has implemented a predictive mathematical odour model, which is used to set odour reduction targets.

Odorous impact index			
Biofactory	2021	2022	2023
Navia	0.4	0.25	0.17
Pontevedra	0.1	0.06	0.05



Improvement of air quality

At Ence's plants, certain processes, such as the movement of biomass, can generate particles (dust) which, if not properly managed, could cause a nuisance to nearby communities. By 2023, the improvement of air quality has been maintained as a Fundamental Improvement Objective at all sites, with the goal of addressing this specific aspect and ensuring a healthier environment for the surrounding communities.

All power plants have specific plans to reduce dust emissions; however, in those closer to urban centres, reinforced measures are established, as in the case of Huelva. In this case, since 2018, dust reduction actions have been implemented, ranging from enclosing emission sources and installing water foggers to the implementation of suction systems in the transport belts or the installation of textile screens in the areas with the highest dust production.

Training of plant personnel is also another key aspect to mitigate this impact by adopting behaviours and practices that minimise dust generation. In this sense, the planning of the works and the extension of the biomass storage areas allow for a reduction in the internal transfer of materials, as has been the case at the Mérida plant.

Ence also carries out regulatory atmospheric controls to cover all combustion sources with regular regulatory inspections (carried out by an authorised body (OCA); actions included in the Environmental Monitoring Plans.

In addition to dust, Ence monitors and sets specific particle emission reduction targets for the biomass boilers at its plants.

Air quality Navia (µg/Nm³)			
Parameter	2021	2022	2023
Particles*	10.0	11.0	9.0
SO_2	5.0	2.0	1.0
nOx	8.0	9.0	7.0

**The values for Particles are given in the following unit: PM10 µg/Nm³*

Air quality Pontevedra (µg/Nm³)			
Parameter	2021	2022	2023
Particles*	10.6	13.0	11.0
SO_2	2.9	2.8	3.0
nOx	10.6	7.6	8.0

**The values for Particles are given in the following unit: PM10 µg/Nm³*

Air Quality Huelva			
Parameter	2021	2022	2023
PST (µg/m^3)	159.0	63.0	46.0
PSED (mg/m^2day)	158.0	91.0	238.0(1)

TSP: Total suspended particles measured over 24 hours. SEDP: Settleable particulate matter measured over 15 days. The most unfavourable point. External regulatory control carried out by an administration's partner organisation.

(1) The increase is due to the existence of external work during the first days of the test which affected the measurements.

Reducing the acoustic impact

Another of Ence's priorities to ensure respectful coexistence with neighbouring communities is the reduction of the acoustic impact of its activities. To this end, each year it defines improvement objectives and noise reduction plans, focusing mainly on those installations closest to population centres.

In this area, in 2023, the actions carried out at the Huelva complex, which continues to make progress in reducing the acoustic impact, having implemented in 2023 actions such as the encapsulation of the gas recirculation fan (GRF), the re-routing and channelling of steam purges, actions in the lower part of the turbine, the installation of a silencer and the installation of screens, among others. At the Navia biofactory, the implementation of the acoustic attenuation project has continued, with actions that include the installation of acoustic screens and cladding, enclosure of equipment with high acoustic impact and the installation of silencers.

Navia (dBK)			
Period	2021	2022	2023
Morning	64.5	64.2	62.4
Afternoon	65.5	64.0	62.5
Night	62.8	62.1	61.5

Pontevedra (dBK)			
Period	2021	2022	2023
Morning	60.8	63.0	65.0
Afternoon	60.1	62.0	65.0
Night	56.2	53.0	54.0

Huelva (dBK)			
Period	2021	2022	2023
Morning	66.0	66.0	66.0
Afternoon	67.0	67.0	67.0
Night	67.0	67.0	67.0

Data from the last regulatory check

Other environmental aspects

In addition to the aforementioned aspects, Ence undertakes analyses of other possible impacts of its activities that could affect the environment or nearby communities, such as **light pollution**. Although it is necessary for Ence's facilities to have adequate lighting sources to operate safely, when designing or modifying lighting systems, the goal is to minimise the impact of lighting on the environment, especially in the surrounding residential areas.

In addition, although so far not identified as an environmental factor with significant impact, light pollution is included in environmental impact assessments of new projects. Given the non-significance of this environmental aspect, it has not been necessary to implement specific compensatory measures, nor has it been necessary to establish limits for this aspect in the environmental authorisations of any of the facilities. In 2023, as in previous years, Ence has received no complaints related to light pollution from neighbouring communities or administrations.

Commitment to transparency

In addition to seeking ongoing environmental excellence, Ence is clearly committed to transparency regarding the environmental performance of its facilities. In this sense, it provides its stakeholders with the Environmental Statements of the centres that form part of the EMAS system. In addition, the company has a dedicated website where environmental information from the Pontevedra biofactory is disseminated in real time.

In addition, "ANNEX II ENVIRONMENTAL AND SOCIAL INDICATORS" of this report details information on the specific environmental indicators for each plant.

Ence also has contact channels so that any interested party can inform the company of any concerns or complaints related to the environmental performance of its facilities. These complaints are analysed and managed according to an internal procedure to respond to each and every one of them, and form part of the company's environmental performance indicators

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TO THE RURAL ENVIRONMENT

"Ence mobilises renewable natural resources produced in rural areas, generating ***value for forest and agricultural owners****, as well as for the rest of its supply chain. Moreover, acting as a benchmark in forestry management, it* ***promotes professionalisation*** *and transfers its best practices* ***to the rest of the industry****."*

Key milestones in 2023

Launch of **Ence Terra**, a new vision of forestry to reinforce the company's commitment to the territory and the rural areas.	53 registered carbon **sinks** with an area of more than 1,750 ha	Definition of the **Strategic Biodiversity Plan 2024-2028**	260 **consultancies** on best management practices for forest owners.

Ence acts as a benchmark and **driving force in the forestry industry,** applying best management practices in its areas of direct action (forestry assets throughout the production cycle and in the conservation of environmental values, and forest harvesting in its standing purchases), extending them to the rest of the industry, generating value for owners, harvesting companies and transporters through its wood purchases. It also generates value for the agricultural sector by offering sustainable solutions for the management of crop residues and creating wealth and jobs in the biomass utilisation and transport industry.

Ence's commitment to **sustainability** is one of the principles of its actions both in the forest management of Ence's forest assets areas and in the supply of wood and biomass. The company therefore uses materials from responsible and traceable sources, applying high sustainability standards in the supply of wood and biomass and in the selection and monitoring of its suppliers which are required to make sustainability commitments aligned with those of the company.

Ence is also making progress in enhancing the value of the **Natural Capital** through identification, management and enhancement of ecosystem services provided by the company's natural assets. In 2022, Ence launched a project to establish a network of forest carbon sinks that contribute to climate change mitigation and offer the possibility of offsetting emissions to other organisations with the acquisition of carbon credits generated in Ence's forests. By 2023, this project has led to **53 registered sinks**, covering an area of more than 1,750 ha. The success of this project has enabled progress to be made in the development of another key ecosystem service, biodiversity, for which Ence has developed a **Strategic Biodiversity Plan** for 2024-2028.

Ence thus boosts rural areas, by offering employment and development opportunities to areas affected by depopulation and deindustrialisation in communities such as Galicia, Asturias, Cantabria, Extremadura, Castile La Mancha and Andalusia. Furthermore, Ence offers to rural areas the opportunity to base its growth on a sustainable, circular, low carbon industry, supported by the renewable natural resources, both agricultural and forestry, which represent the future of the bioeconomy.

Benchmark in best forestry practices

With the forestry management carried out on its assets, Ence seeks to become a model in the best silvicultural practices of eucalyptus plantations and native forest stands, sharing its experience and knowledge with forest owners and the rest of the parties in its value chain in order to develop, professionalise and strengthen the industry increasing the productivity of forest holdings, making it technically, economically and environmentally competitive.

Ence's lines of work within this framework include research and development of the **best plants** in its own nurseries, improving and mechanising **forestry and forestry operations** and transforming the industry by sharing the **best tools for forestry management production**. Ence also actively participates in industry associations and engages in dialogue with governmental entities and society on the role that the forestry sector should play in the process of a fair ecological transition.

Ence has been working for years on the development of a **genetic and forestry improvement programme**[4] for the *Eucalyptus* genus, with the aim of ensuring the sustainability, productivity and adaptability of its plantations in climate change scenarios. In this context, in 2022, Ence signed a three-year collaboration agreement with the University of Huelva to carry out a research project entitled "Models for estimating the impact of climate change on productivity in the areas where Ence operates in the Iberian Peninsula", in which the University of Santiago de Compostela is also participating. The goal of this project is to assess future growth variations in the Ence Estate of the species *E. globulus* and *E. nitens* in the climate change scenarios RCP 4.5 and 8.5 and in which eco-physiological models, specifically the 3PG, will be used to estimate growth. This project is part of Ence's R&D strategy to obtain new genetic materials that guarantee its adaptation to climate change. To this end, in 2023, 26 field test plots were installed in different areas of the company's operation, which together with the ones installed in previous years add up to 174 plots, representing an extensive experimental network that will facilitate the selection of new genetic materials with better growth, adaptation to different environments and tolerance to diseases and pests.

In addition, the plan started in 2019 continues, aimed at accelerating the incorporation of new improved plant material on an operational scale, for which 61 new pilot plots (35.5% more than the previous year) with the plant material developed within the genetic improvement programme have been installed in Ence’s forest assets and in different environments, and which is in the last phase of evaluation and selection. These plots are small-scale planting units in which Ence plants and monitors the genetic materials that are in the pre-commercial phase. This activity helps to improve the knowledge and performance of materials before a decision is made to select them as commercial products.

In terms of technology and operational advances, Ence has developed a **mechanisation strategy** by providing its contractors with state-of-the-art equipment, both machinery manufactured in

[4] Ence's genetic improvement programme consists of selecting those individuals or hybrids that are best adapted to the climatic conditions or stand out for their resistance to pests and diseases. No genetic modification techniques are used and Ence does not work with GMOs (genetically modified organisms).

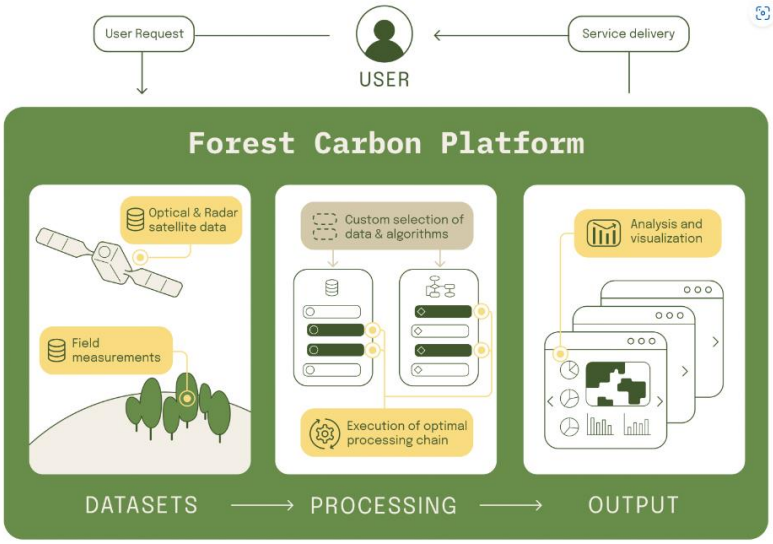
collaboration with companies in the company's areas of activity and state-of-the-art machinery imported from different parts of the world.

Significant advances in this area include the mechanisation carried out in the plantations of the Ence estate. This allows several operations to be grouped into one and, in the case of the mountains in the south of the Peninsula, to apply hydrogel to make plantations viable in conditions of lack of rainfall. In the field of site preparation, thanks to ad hoc and imported equipment, it has also been possible to reduce the number of operations, thus minimising the amount of equipment in the field and improving performance.

Ence shares these technological developments with the rest of the industry, producing improved plants in its nurseries as a result of its research and advising forest owners on their optimal use (for example, recommending the best clone for each plot depending on present and future climatic conditions) as well as sharing their experiences in forestry (fertilisation, mechanisation, operational control, etc.).

Within the development of **forestry technologies**, it is worth highlighting Ence's participation in the European Space Agency (ESA) "Forest Carbon Monitoring" project. During the month of March 2023, the final workshop of this project, carried out in the framework of the EOEP5 programme, took place in Espoo (Finland). Ence was part of the consortium of companies participating in the project, together with other major European companies involved in forestry management and production.

The main goal of the project has been to develop a prototype of a reliable system for monitoring and accounting of forest carbon stocks, which maximises the synergistic use of remotely sensed earth observation data coupled with information from field measurements, and thus responds to the need for reliable measurements of the amounts of carbon sequestered in forests and forest plantations.



As a result of the two years of work, 79 prototype mapping products, including forest structure variables and biomass and growth variables among others, were delivered to the consortium members. For more information, see the Forest Carbon Monitoring website (forestcarbonplatform.org)

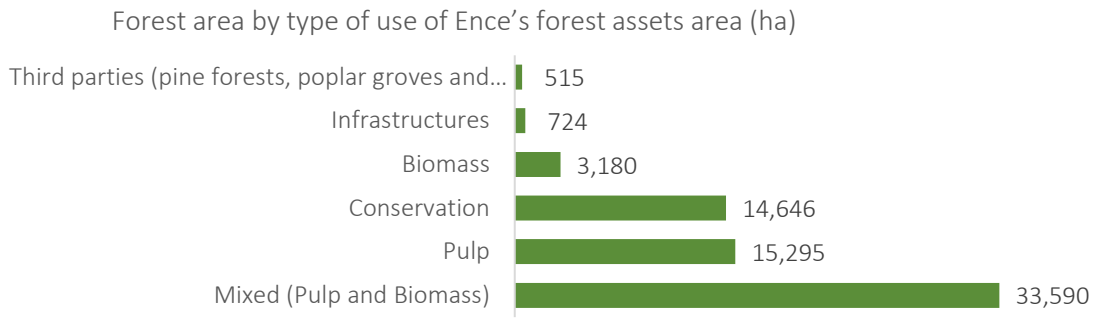
Another of Ence's lines of work consists of **biological control of pests** affecting eucalyptus plantations. Ence has spent years researching and providing solutions that it applies not only to its own assets, but also makes available to third-party owners. In this regard, during the first half of 2023, within the framework of the integrated fight against the infestation caused by *Gonipterus platensis* (eucalyptus weevil), 6,300 ha corresponding to Ence's Northern Area and 500 ha of forest owners have been treated, which has meant doubling the treatment area compared to 2022. This increase has been achieved in large part due to improvements in the efficiency of the production process at Ence's biological control biofactory. Ence also collaborates with the University of Santiago de Compostela to synthesise aggregation pheromones to control the adult population of this species in the field.

Forest management model

Ence applies a forestry management model to its assets that aims to improve the production capacity of the plantation, while protecting biodiversity and other environmental values and developing the environment, promoting the professionalisation of the sector.

Main figures

Ence manages a forest area of nearly 70,000 ha, making it one of the largest private forest managers in Spain.



Of this area, Ence dedicates 21.6% to the protection of ecosystems.

Ence's commitment to sustainable forest management certification means that 84% of its managed forest area is under the scope of one or more Sustainable Forest Management certification schemes such as FSC® (licence code FSC®-C099970) and PEFC (licence code PEFC/14-22-00010).

Principles and commitments

Ence's forestry activity is based on solid principles of forest sustainability voluntarily defined by the company:

Principle 1: Sustainability

Managed forest resources are an important environmental, social and economic asset that must be passed on to future generations. Its management focuses on maintaining and growing production capacity in the short, medium and long term, through conservation, development and, where appropriate, renewal of managed forest ecosystems.

Principle 2: Minimising impacts

Managed ecosystems have production and management constraints that need to be known. All activities are planned with the aim of minimising the environmental impact, compensating for possible negative effects and identifying and implementing environmentally friendly alternatives that contribute to preserving the environment.

Principle 3: Maintaining diversity

The forests managed by Ence contain a great diversity of natural, social and cultural elements. The objectives of the actions carried out include the preservation of this diversity, enabling it to evolve naturally and for the Company to harness this knowledge and enhance it.

Principle 4: Multifunctionality

The forests managed by Ence contain diverse goods and services that can be used for many purposes. The actions therefore consider active policies for managing the different goods and services of the forests, maximising and preserving the environmental, social and cultural benefits of the forests, as well as the economic ones.

Principle 5: Continuous innovation

Forestry R&D+i policies are necessary to promote the Company's continuous adaptation to technical, environmental and social management requirements. Ence constantly searches for innovation in its forest management processes, as a guarantee for continuously improving to achieve social, environmental and economic objectives.

Principle 6: Forest area

Ence's forestry activity takes place in the rural environment, in which the Company participates and is involved beyond its activity as owner and manager. Ence applies active forest extension policies aimed at transmitting accumulated knowledge, fostering management agreements, informing its stakeholders and supporting sustainability principles, in the conviction that a technologically managed and trained forest sector is the best way to achieve effective sustainability in environmental, social and economic values.

Principle 7: Active participation with stakeholders

The stakeholders and the community are a necessary and desirable reference for identifying best practices for action. Ence will maintain its efforts to promote, channel and make the most of this relationship, which will result in society having better knowledge of forestry activity and precisely defining its expectations.

Principle 8: Public commitment

Ence considers that these Sustainability Principles are only possible with collaboration and effective support from all customers and suppliers. These principles will be disseminated to all stakeholders, and especially to those who have direct responsibility for forest management actions, fostering environmental, social and economic improvements in their actions. Ence particularly values relations with those who incorporate sustainability criteria in their daily activity, in compliance with the company's objectives in this area.

Principle 9: Forest certification

Forest certification is an effective tool for promoting sustainability in managing forest areas. Ence works to maintain and extend the certification of its forests and promotes certification of among its suppliers. It also collaborates on initiatives aimed at promoting and developing forest certification, from regulatory and practical perspectives.

In addition to following these principles, Ence is also committed to the following in its forestry management:

- ✓ To comply with all the requirements demanded by the FSC® and PEF forest certification schemes in the managed forests that, under its direct or indirect management responsibility, are within the scope of Ence's Forest Certification Group.
- ✓ Not to carry out activities contrary to the FSC® Principles and Criteria and PEFC Principles in other managed forest stands outside the scope of the corresponding certifications, ensuring in any case that the management standards are the same in certified and non-certified managed stands.
- ✓ Progressively implement FSC® and PEFC Certification in all managed forest stands not included in the initial scope of certification.

Commitment against deforestation

Aware of the problem posed by the deforestation of the world's forests, Ence is also committed to adopting the necessary measures to prevent it in the scope of its activity. Thus, as established in its Purchasing Policy, Ence works proactively against deforestation both in stands managed by the company and in those coming from its supplies. Specifically, Ence applies the following principles of action against deforestation:

- ✓ Any supply of timber or forest biomass from private forest areas shall imply the maintenance or increase of the forested area, except in the case of possible restorations of forests coming from non-forested natural states of higher ecological value and previously modified.
- ✓ All Ence's suppliers of timber or forest biomass, whether in the form of standing timber or supplies purchases, must comply with the requirements established by the company to combat deforestation, whether through contractual clauses or approval.
- ✓ Ence undertakes to establish monitoring and control mechanisms to detect practices that promote deforestation throughout its supply chain and, if necessary, to take the appropriate preventive and corrective measures.
- ✓ Ence will not participate in commercial or industrial activities that may involve practices that entail deforestation of natural environments, and undertakes not to consume raw materials obtained through such practices.

Good agroforestry practices

Among others, Ence applies and extends to its supply chain the good agricultural and forestry practices included in the German Sure System certification scheme, which is the standard selected by the company to demonstrate the sustainability of the agroforestry biomass it works with. In the case of good agricultural practice, the Sure system includes the following precepts:

- ✓ Conserve or improve soil structure.
- ✓ Avoid, where possible, soil compaction, especially taking into account soil type, soil moisture and soil pressure caused by farming equipment.

- ✓ Prevent, where possible, soil erosion, through use adapted to the site, in particular taking into account slope, water and wind conditions and soil cover.
- ✓ Maintain the natural structural elements of the fields, especially hedges, trees growing in the fields, field margins and field terraces, which are necessary to protect the soil.
- ✓ Preserve or maintain the biological activity of the soil through appropriate crop rotation.
- ✓ Preserve the humus content of the soil, in particular by a sufficient supply of organic matter or by reducing tillage intensity.
- ✓ Adapt soil tillage to the site, taking into account weather conditions.
- ✓ Handle and use chemicals responsibly.
- ✓ Use sludge as fertiliser only in permitted cases (administrative permission).
- ✓ Undertake integrated pest management.
- ✓ Protect both surface and groundwater resources.
- ✓ Use water responsibly.

In the case of good forestry practice, the Sure system includes the following criteria:

- ✓ Not damage the ground with the machinery in use.
- ✓ Conserve soil nutrients, organic matter and soil structure.
- ✓ Use plant protection products only as a last resort.
- ✓ Protect groundwater resources.
- ✓ Manage water resources sustainably

Forest management system and tools

Ence has an Integrated Forest Management System (IFMS), which is coordinated with the general planning of forest management in accordance with the objectives established by management, ensuring compliance with the Management Policy and guaranteeing that the levels of environmental protection and occupational health and safety defined by legislation and Ence's internal regulations are achieved and maintained. Within the framework of the IFMS, the main management tools Ence works with are:

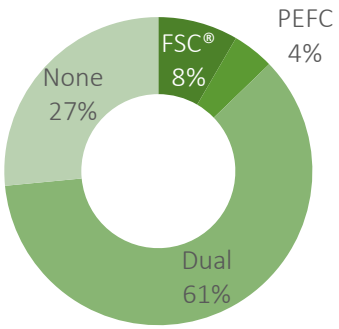
- ✓ Planning projects (including the regulatory variants established by the different competent administrations).
- ✓ Continuous Forest Inventory (CFI), which reflects the stock of timber present in the forest asset area, as well as the stands with protection and conservation values, characterised by the presence of native species, watercourses and their areas of influence, or by any other singularity such as archaeological sites.
- ✓ Technical plans made prior to the execution of a harvesting or reforestation project, in which measures are analysed and established to mitigate the environmental impacts derived from the actions.
- ✓ Checklists for monitoring forestry operations in terms of environmental protection and health and safety measures.
- ✓ Annual monitoring of forests to control the state of health of the stands, erosion, presence of protected species and other singularities, etc.

Certified sustainable forest management

For Ence, sustainable forest management certification is a valuable tool that proves responsibility in managing forest areas. For this reason, Ence has been committed for years to certification both in the forests managed by the company and for the timber it acquires from third parties.

Thus, Ence maintains its Integrated Forestry Management System, certified in accordance with the requirements established in the following international standards: PEF (Programme for the Endorsement of Forest Certification Schemes, according to UNE-162.002:2013, with licence code PEFC/14.-22-00010) and FSC® (Forest Stewardship Council®, according to National Standards, with licence code FSC®-C099970, in group mode). Although all the areas managed by Ence fall within the scope of the Forest Management System, not all of them are certified by the aforementioned regulations: At the end of 2023, 84% of the forest area managed by Ence was certified according to FSC® or PEFC. In terms of its supply chain, 73.5% of the wood purchased by Ence in 2023 had one or more PEFC or FSC® certifications.

Proportion of certified wood



Ence also wanted to extend its commitment to forestry certification and combine the achievement of environmental objectives in forestry (forests previously certified in sustainable forest management pursuant to FSC®) with the improvement of the social aspects of management in rural areas and providing greater transparency to the timber market through the implementation and certification of the **Fair Wood** standards of the Cooperation for Development Foundation (COPADE).

Protecting biodiversity

GRI 304-2, GRI 304-3, GRI 304-4, GRI 413-2, GRI 414-2

Ence understands that sustainability in any action in the natural environment necessarily involves an appropriate approach to biodiversity management and the company applies specific measures to ensure its protection in all its activities.

Management approach and strategy

The protection and promotion of biodiversity in Ence's forest assets is a priority for Ence. As part of its plan to strengthen and develop its Natural Capital, beyond the knowledge and conservation management of the environmental values of the forests it manages, Ence has designed a **Strategic Plan for the Conservation and Promotion of Biodiversity** in 2023 with the following 5 main lines of action:

- ✓ Improvement of **connectivity** between the areas to be conserved and protected in managed forest stands, through adequate knowledge of them, their environmental assessment and the analysis of the population dynamics considered in the surrounding areas.
- ✓ **Analysis and enhancement of biodiversity within productive stands**, considering that eucalyptus plantations provide significant value in terms of soil protection, food and shelter for fauna, and development of flora in ecotonal areas.
- ✓ Development of **biodiversity in the areas of indigenous formations** within Ence's forest assets, drawing up specific management plans for the different levels of management: strict protection areas, areas of high conservation value, protected natural spaces and the network of conservation areas.
- ✓ **Analysis and development of new methodologies** to enhance the value of Natural Capital, in collaboration with research centres, public administrations and other interest groups, such as NGOs and landowners' associations, encouraging active management which, through the objective assessment of its environmental results, allows the activity of promoting biodiversity to be quantified, even economically, making it an opportunity for the forest manager.

- ✓ Internal **communication** that allows for the development within the company of precise knowledge of environmental values, their transcendence and management; and external communication, to bring this know-how to the owners of the environment.

Biodiversity in Ence's assets

The first step towards actively protecting biodiversity in Ence's forest asset areas is to identify those which, due to their natural values, **will be prioritised for conservation** (rather than for timber production). The function of these areas is to ensure the diversity of habitats, species and landscapes. In these conservation areas, an inventory, characterisation and assessment of the conservation status of the different plant communities identified and their correspondence with the Habitats of Community Interest (HIC) has been carried out. These studies have enabled the company to identify High Conservation Values (HCVs) in these areas due to their biological biodiversity, their landscape value, the presence of rare or threatened ecosystems, their capacity to provide basic environmental benefits, and their contribution to satisfying the basic needs of local communities.

Thus, in Ence's assets, 6,655 ha have been surveyed in 2023, representing 9.8% of the surface area. The cumulative total is over 59,900 ha., i.e. 88% of the surface area, identifying the species present in each case and their administrative protection status. These studies also refer to the potential fauna in the inventoried habitats and plant communities. Thanks to these studies, the presence of 9 **protected flora** species has been detected in the forests of the Northwest of the peninsula, included in the following categories according to their status and conditions:

- ✓ Annexes II, IV and V of Directive 92/43/EEC.
- ✓ Spanish Catalogue of Threatened Species and List of Wild Species in the Special Protection Regime: Royal Decree 139/2011.
- ✓ Galician Catalogue of Threatened Species: Decree 88/2007 of the Galician Regional Government (only for Galicia).
- ✓ Regional Catalogue of Threatened Species of the flora of the Principado de Asturias: Decree 65/1995 (only for Asturias).
- ✓ IUCN Red List of Threatened Species.

In addition to these, 14 species of flora are protected in Ence's asset forests in Andalucía. These protected flora species are included in the following categories according to their status and condition:

- ✓ Annexes II, IV and V of Directive 92/43/EEC.
- ✓ Spanish Catalogue of Threatened Species and List of Wild Species in the Special Protection Regime: Royal Decree 139/2011.
- ✓ Andalusian Catalogue of Threatened Species: Decree 23/2012 of 14 February regulating the conservation and sustainable use of wild flora and fauna and their habitats.
- ✓ IUCN Red List of Threatened Species.

With regard to the management of **wildlife biodiversity** in Ence's assets, the company worked with the specialised consultancy firm ARCEA on the project "Analysis of the state of conservation

of habitats included in non-timber-producing areas of the forests managed by Norte Forestal (*now Ence Terra*) in Asturias and Galicia". In 2023, ARCEA has undertaken fauna studies of vertebrate species in 5 mountains of the Northen area of Ence's forests and 5 mountains of the Southern area of Ence's forests, and the scope of which will gradually be extended to more mountains managed by the company in successive years. As a result of these studies, 66 new species of fauna have been identified as having some form of protection. The total is of 160 species of catalogued fauna with a higher level of protection (Annex I of the Birds Directive (2009/147/EC), Annexes II or IV of the Habitats Directive (92/43/EEC) or the Spanish, Galician, Asturian, Cantabrian and Andalusian catalogues of endangered species) have been identified as potentially present in Ence's forests.

The complete list of protected species present in Ence's forests can be consulted in Annex II of this report.

Protected Natural Areas (PNA)

Ence's forestry assets include a number of woodlands that are at least partially located in a number of protected natural areas. In these cases, environmental values are particularly important and the company adapts its forest management accordingly.

In the northwest, Ence manages forests in the protected areas of Costa da Morte, Serra do Xistral, Río Tea and Río Lérez in Galicia, Cuenca del Esva in Asturias and Parque Natural de Oyambre in Cantabria (Natura 2000 Network sites). The habitats of community interest that Ence manages in these areas range from oak woodlands and riparian forests to wet heaths and peat bogs.

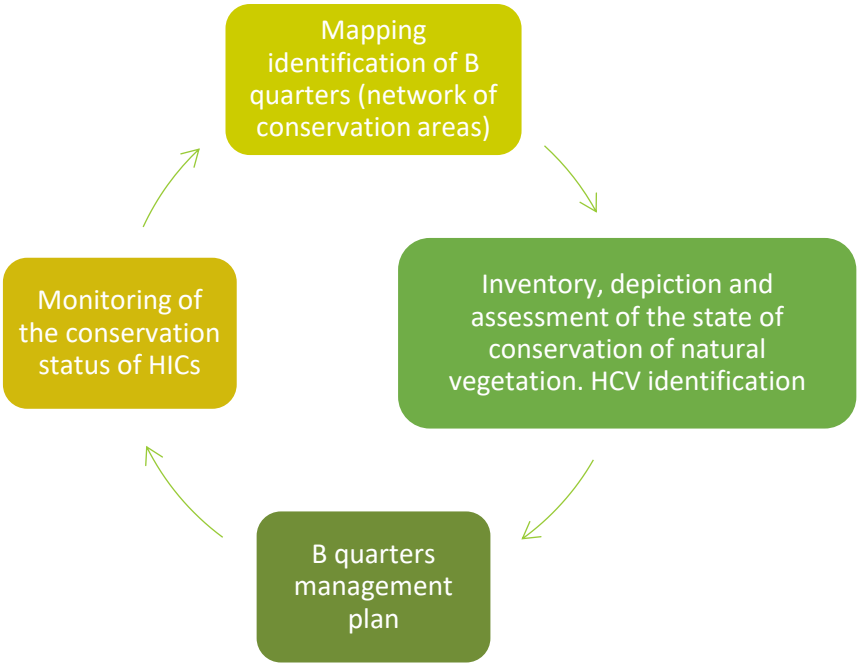
In the south of the Iberian Peninsula, the areas included in the natural parks of Sierra de Aracena y Picos de Aroche, Peñas de Aroche and Sierra Pelada and Rivera del Aserrador are noteworthy due to their membership of the Natura 2000 network and the importance of the habitats present in the forests managed by Ence, in terms of area and favourable conservation status. The ecosystems present in these areas include cork oak groves, alder groves and bramble-oak groves.

Integrating Biodiversity Protection into Forest Management

Ence is aware of the negative impacts that logging activities can have on biodiversity if they are not carried out in a way that respects the natural values of the forest, avoids affecting the habitats of vulnerable species, and ensures adequate connectivity between populations.

As a result, the purpose of the sustainable forest management guidelines followed by Ence is to not only minimise these potential impacts, but also to actively promote the protection of biodiversity, designating conservation areas in which no timber harvesting is carried out and

defining those areas in which harvesting must be carried out with special precautionary measures. The system for protecting diversity in the woodlands managed by Ence is based on:



The management of these areas is always primarily preventive in order to avoid damage, but with this systematic approach, Ence studies these areas and designs active management strategies to improve their conservation status and promote biodiversity (for example, by eliminating invasive exotic species from these areas).

Ence also has a manual of **good environmental practices** that sets the basis for training all the company's forestry personnel and its contractors, so as to prevent negative impacts of forestry work in the woodlands. The manual includes good practices for preventing erosion, for the protection of watercourses and natural drainage networks, for the protection of flora and fauna, for the reduction of visual impact and others such as good practices in the prevention of forest fires, the treatment of pests and diseases, the use of phytosanitary products and the correct management of waste.

In addition, Ence's Integrated Forest Management System (IFMS) establishes a system for monitoring woodlands and operations carried out by operational and sustainability staff through **inspections and audits** to detect possible negative impacts of forest management on biodiversity and to take the necessary measures to correct them so that they do not recur.

Among the practices included in Ence's biodiversity protection system is the protection of the endangered fauna present in the forests managed by the company. Ence is particularly mindful of the potential presence of endangered wildlife when performing forest management activities. Thus, Ence strictly plans forestry activities to avoid or minimise the effect it may have on these species, respecting at all times the regulations in force and the recommendations and/or restrictions established by the competent authorities (for example, the periods in which certain activities cannot be carried out because they coincide with the breeding season of these species, etc.).

Ence also carries out initiatives to **improve the habitats of endangered species** and thus promote optimal conditions for their development. In this regard, in 2023, the release of wild partridges on the 'El Calamón' estate, owned by Ence and located in the Sierra de Aracena y Picos de Aroche Natural Park, should be highlighted. The action is part of the Biodiversity Improvement Agreement that Ence has had with the Andalusian Regional Government since 2022. The release responds to technical criteria due to the presence of a breeding pair of **imperial eagles** on the farm. The existence of these specimens in the area is very positive news for the conservation of this endangered species, as it is the first to be detected in the Natural Park. The wild partridge is a key element in the diet of the imperial eagle and, for this reason, the Regional Ministry of Sustainability, Environment and Blue Economy programmes these releases to improve the habitat of this emblematic species. In this sense, the Imperial Eagle Recovery Plan promotes partridge populations on farms where this bird of prey nests, in order to increase the productivity of these territories. To this end, collaboration agreements are signed between certain private farms and the Department of Sustainability, Environment and Blue Economy, one of the measures of which is the release of partridges.

Protection of certified biodiversity

The work undertaken over the last 10 years on the study of native plant communities and forest management that respects them has enabled Ence to identify and certify positive impacts on this ecosystem service. Thus, in 2023, the scope of FSC® Sustainable Forest Management certification is kept in accordance with the ecosystem services standard in its biodiversity section at two of Ence's forest sites:

- ✓ In the Santarandel mountain area, covering around 92 ha and located in the province of A Coruña, the positive impact of Ence's forest management on the conservation of species diversity has been demonstrated by way of the FSC® ecosystem services certification procedure.
- ✓ In the Aracena Forest Management Unit in Huelva, with a surface area of over 6,200 ha, the positive impact of Ence's forest management on the maintenance of a network of ecologically sufficient conservation areas has also been demonstrated according to the FCS® ecosystem services certification procedure.

Ence makes detailed information on these projects available to all its stakeholders on its website: https://ence.es/proyectos/ugf-aracena/ and https://ence.es/proyectos/fraga-de-santarandel/

Habitat restoration

Another of Ence's areas of activity in the sustainable forest management and biodiversity protection field is the restoration of habitats, especially those affected by forest fires. In this regard, Ence undertakes a five-yearly planning of actions in the conservation areas, although as it is a long-term planning, the actions may vary depending on the observations of the annual monitoring carried out.

Among the restoration actions carried out by Ence after a fire are the cutting and removal of burnt wood and the pruning of burnt trees, the protection of regenerated shoots from herbivores and the planting and densification of areas where no regrowth has occurred. This way, Ence contributes to accelerating the regeneration of forests affected by fires. One of the actions to restore burned areas on which Ence has focused during 2023 is the creation of forest carbon sinks, executing and planning actions in long-term projects in which, in addition to restoring the forest mass, the additional benefit of generating CO_2 absorption usable by companies interested in offsetting their carbon footprint is achieved.

In areas where no fires have occurred, the main habitat restoration work consists of the control and elimination of invasive species and the removal of eucalyptus trees in areas dedicated to the protection of ecosystems.

Sustainable management model of biomass

Ence uses biomass for power generation in independent plants and in its own biofactories as natural renewable fuel. Moreover, thanks to the deployment of its energy business unit (Magnon), Ence has become one of the most important players in the biomass industry in Spain in recent years.

Ence uses waste biomass from industry, mainly from the agri-food industry, and **waste agroforestry biomass** to generate renewable energy. The use of residual agroforestry biomass not only contributes to the fight against climate change, but also offers a sustainable solution to the serious waste management problem faced by the agricultural sector, avoiding burning in areas at risk of fire and the environmental and health impacts that this generates. By recovering this residual biomass, Ence also contributes to preventing the depopulation of rural areas, generating quality employment at its facilities and throughout the supply chain.

Ence has three main sources of biomass supply: Ence’s forest assets, standing timber purchases and biomass from suppliers. Much of the biomass consumed by Magnon's plants comes from purchases from suppliers, followed by the purchase of standing timber and the supply of biomass from Ence's forest assets. In 2023, Magnon's biomass plants consumed more than 1M t, with Andalusia, Extremadura, Castile La Mancha and Portugal being the regions where most of the biomass comes from.

The Biomass Sustainability Decalogue

	1. It shall respect the natural environment: Biomass management will be respectful of natural resources and will not cause damage to the environment.
	2. It shall be compatible with sustainable agricultural and forestry practices: The agricultural and forest management of the land where biomass is produced and its use and logistics shall be compatible with the manuals of good agricultural and forestry practices for any crop and species.
	3. It shall not burn round wood: Ence will not use round wood with a diameter over 10 cm as fuel, unless its only possible use is for energy purposes, or if the wood comes from invasive species, unless expressly indicated by the competent administration.
	4. It shall respect the priority uses of biomass: The biomass that Ence will use will not compete with other possible priority industrial uses of biomass (construction and furniture).
	5. It shall not use biomass that competes for resources with food: It shall not use biomass from energy crops on converted agricultural land suitable for agriculture and food production.
	6. It shall not compete with livestock uses of biomass: Ence will not use agricultural biomass that could be employed for livestock farming.
	7. It shall respect the law and human rights: The collection of biomass shall always be undertaken taking into account current legislation, human rights and the rights of the communities.
	8. It shall use best practices: In order to minimise environmental impact and maximise energy efficiency, Ence will continuously apply best practices in the use, transport, treatment and storage of biomass, as well as the Best Available Techniques in biomass energy production.
	**9. It shall minimise carbon emissions:** It will minimise its total carbon footprint, considering the balance of greenhouse gas emissions over their entire life cycle, and determine sourcing distances.
	10. It shall always pursue the highest energy efficiency with sustainability criteria: Ence shall promote maximum energy efficiency through the development and application of technology for the use of useful residual heat from its plants for other industries and local uses, among others.

Even though it offers great advantages in terms of replacing fossil fuels and waste management in rural areas, Ence is aware that the use of biomass for energy purposes can have negative environmental and social impacts if it is not supplied from sustainable, responsible and traceable sources. However, when Ence started in the biomass industry, there were no specific external standards or certification systems to guarantee the sustainability of biomass. That is why, in 2017, Ence collaborated with different actors in the industry, such as environmental NGOs, in the development of a **voluntary sustainability standard** to ensure this reliable supply.

This standard, known as the **Decalogue of Biomass Sustainability**, has been applied at Ence since 2018, and was decisive for the company's implementation of sustainability and traceability requirements that would later be set by the Renewables Directive.

The biomass Decalogue is made up of ten principles that are developed into sustainability indicators. By the end of 2023, the level of compliance with the Biomass Decalogue is 92% for agroforestry biomass and 90% for industrial biomass.

Biomass with sustainability certificate

The publication of the Renewable Energy Directive (EU) 2018/2001 led to the establishment of the first criteria that biomass used in the bioenergy industry must meet in order to guarantee sustainability, in addition to criteria for the reduction of greenhouse gas emissions and energy efficiency. In 2021, in order to comply with these new requirements, Ence implemented a new biomass **sustainability certification scheme** (Sure System), and achieved the certification of all its plants under this seal. Ence thus once again became the **industry's pioneering** company in terms of sustainability, as the Merida plant was not only the company's first facility to obtain this certification in July 2021, but also the first at European level.

Sure certificates are issued for a period of one year and must be renewed annually to demonstrate ongoing compliance with certification requirements. In 2023, Ence renewed the certificates of its power plants for the second consecutive year, meaning that all the plants now have Sure certificates in force. The renewal of the certificates shows that the management system implemented in the power plants complies with the requirements of Sure and the REDII Directive and that the tools implemented and validated in the initial audit process have worked correctly during the months of validity of the certificate.

The certificates for all the plants are available on Ence's website (https://ence.es/sostenibilidad/certificados-del-sistema-de-gestion/)

The certification of Ence companies would be insufficient if it were not accompanied by **certification of the biomass consumed**. Ence's commitment was to ensure that from 1 January 2023 at least 90% of the biomass consumed at each plant would be certified, and by the end of the year this goal had been achieved.

In addition to certifying its own facilities, Ence wanted to support its supply chain for certification to the same standard. Thus, in 2022, Ence began the necessary actions to guarantee the certification of the supply chain, undertaken along two different lines:

1. certification of points of origin; and
2. certification of suppliers.

This line of work has been maintained throughout the year 2023, focusing on ensuring both the maintenance of what has already been certified and on certifying new points of origin and suppliers. In this sense, in 2023, with regard to points of origin, work has been done to ensure compliance at source with the sustainability requirements established by Sure's standards, both

those emanating from the Renewables Directive itself and the additional requirements that the scheme establishes for agricultural and forestry biomasses. Magnon includes these points of origin in its own Sure certificate, thus avoiding the need for them to individually opt for their own certificate, which would be technically and economically unfeasible for the points of origin. With regard to biomass from suppliers, work has been carried out to ensure that suppliers have a Sure certificate that enables them to supply Ence with certified material and to ensure that this certificate is maintained in accordance with the scheme's standards. To this end, Ence has kept working to provide suppliers with the necessary technical assistance for the implementation of the certification requirements, and accompanied them through the external audit process until they obtained the certificate.

In 2023, work has also been carried out to adapt the digital tools available to monitor and control the certification information associated with incoming material, as well as to promote a tool that automatically performs the mass balances required by Sure.

As in previous years, in order to ensure that Ence employees have the necessary knowledge to be able to carry out their tasks adequately with regard to Sure certification requirements, internal training activities are carried out on a regular basis. In addition to the training sessions, in 2023 a training system has been implemented through training pills that aim to convey clear messages to operations that are useful in their day-to-day work.

Supply chain monitoring

GRI 2-6

Responsible timber and biomass

To ensure that the **timber and wood products** used in Ence's production process comes from reliable sources and to always ensure utmost respect for legality, Ence defines a series of principles of action that comply with Spanish regulations (RD 1088/2015 on timber legality) and international regulations (**EUTR Regulation 995/2010 on due diligence**).

In its **Procurement Policy**, Ence undertakes to prioritise and promote the consumption of timber from certified forest stands, under the FSC® and PEFC certification schemes, and is committed to complying with the ten Fair Trade Principles established by the World Fair Trade Organisation (WFTO). Ence is also committed to promoting the procurement of local timber and biomass, thereby minimising its carbon footprint, generating value at a local level and contributing to the economic and social development of the environments in which it operates.

In its standing wood purchase orders, Ence is committed to meeting the requirements agreed upon with owners, to establish transparent conditions between parties, and to responsibly represent owners in the forestry use process when thus agreed to with an owner, handling, on an owner’s behalf, the appropriate permits with various public bodies.

Ence's inclusion in the agricultural industry has led it to transfer the principles of action with its value chain to this industry, with the same level of demand and rigour that the company applies in the case of timber. Thus, in the field of **biomass**, the same criteria that the company has traditionally applied in the purchase of timber are established, and the procedures for the approval of suppliers of timber and derived services have been extended to the agents in the biomass value chain.

Approval of agroforestry suppliers

GRI 308-1, GRI 414-1

In Ence's supply chain monitoring system, the first step is to approve its suppliers before starting to work with them. Thus, Ence has a mechanism for approving timber and biomass suppliers to ensure that they comply not only with applicable legislation, but also with internal regulations and the sustainability commitments voluntarily adopted by the company. At the end of 2023, more than 99% of Ence's agroforestry suppliers were approved according to this procedure.

Approval process and criteria

The approval process for suppliers of timber and biomass and agricultural and forestry services has two key elements: the **initial assessment** based on the supplier's own statement in the approval questionnaire and **risk analysis**, where each supplier is assigned a level of risk. Depending on this level of risk, it is determined whether the supplier should participate in Ence's **Origin Verification Programme**, which allows risk levels to be monitored in order to minimise them.

The approval of wood and biomass suppliers is valid for a maximum of two years, unless there are circumstances that justify a shorter duration, such as changes in the approval system, changes in the regulatory framework, or relevant changes in the characteristics of the supplier's provision. In the case of service companies, the default validity of the approval is five years. In the specific case of biomass, the approval process is closely linked not only to legal compliance, but also to Ence's Biomass Code. The approval questionnaire is linked to the contractual relationship with the supplier and is considered an integral part of the contract. The criteria evaluated in the approval process include supplier identification data, the statement of origin of the material, and its characteristics based on **social and environmental criteria**.

Ensuring compliance with commitments

In addition to the supplier's self-declaration assurance and contractual commitments, Ence implemented a procedure to ensure regulatory compliance of timber and biomass suppliers. The purpose of this procedure is to foresee the consequences of potential non-compliance with applicable regulations and Ence's internal procedures. In the event that a supplier is shown to be non-compliant and cannot demonstrate correction of the identified deficiencies, the supplier may be temporarily or permanently de-approved, in which case it may not be able to work with the company.

Traceability of Timber and Biomass Monitoring

In addition to ensuring that the links in its supply chain comply with the company's sustainability criteria, another key element in the monitoring system is to ensure the **traceability** of all wood and biomass consumed at Ence's facilities.

To ensure the legality and traceability of wood, Ence has implemented a **timber Traceability Management System** that is certified by the strictest international **chain of custody** standards, FSC® (FSC® licence code C081854) and PEFC (License code PEFC/14-33-00001), which ensure the traceability of timber from its purchase in the woodland (timber from Ence's assets and standing timber purchases) or at the reception centres (timber suppliers), to its sale to cellulose customers.

In the case of biomass, the Sure System, certified too by an independent external entity, also guarantees the traceability of the biomass from its origin (biomass from Ence assets or standing timber purchases) or supplier.

The traceability of all materials is monitored through the SAP platform. This system provides all the information related to the product, such as volumes, densities, type of material, date and time of weighing, Chain of Custody numbers or Sure certification associated with the supplier, Forestry Management certification associated with the woodland, etc., allowing the quantities supplied to be traced at all times by means of an exact production control. In addition, for purchases of standing timber and timber from Ence-owned woodlands, the system provides and restricts the validity of the permits associated with each property reference included in the purchase order of a certain woodland, ensuring at all times the control and monitoring of the products extracted from the plot and, thus, their traceability from the forest to the end-consumer.

In the case of biomass used in the generation of renewable energy, Ence has developed internal tools to ensure traceability at the source. Each certified weight entering the power plants has associated information on the certificate number and country of origin as per the Sure scheme. Thus, at its facilities, Ence ensures traceability from entry to the plant to electricity production by means of a **mass balance system**, certified according to the Sure scheme that complies with the provisions of Directive 2018/2001. Each plant has its own monthly mass balance, with sustainable biomass and renewable energy consignments that comply with the provisions of RED II.

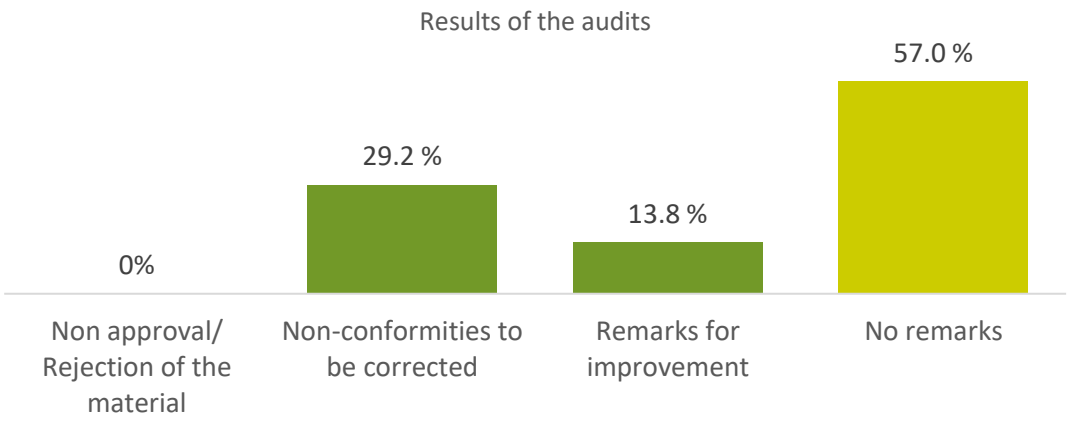
System of inspections and audits

In addition to these control systems, Ence has implemented a **Procedure for Audits and Inspections** to verify the operation of the integrated management system and check its compliance with the applicable regulatory requirements and standards of the FSC® and PEFC, and with the requirements of the Renewable Energy Directive through the SURE scheme. The audit system consists of the following inspection tools:

- ✓ **External audits**: carried out by an independent third party.
- ✓ **Internal audits**: carried out by the organisation itself, either by Ence's technical team or outsourced means. Depending on their scope, they can be internal Chain of Custody, Sustainable Forest Management, Fair Wood and Sure System audits. These are annual audits to check compliance with the FSC®, PEFC, Sure scheme or Fair Wood scheme standards at the Ence sites included in the scope of each of the certifications.
- ✓ **Documentary and field inspections:** these are checks carried out by Ence on a monthly basis, with Ence's own resources, to carry out a periodic check in order to assess and evaluate the effectiveness of the implementation and management of the requirements undertaken by the company, both voluntary and mandatory.
- ✓ **Wood and biomass origin verification programme**: the aim of the programme is to monitor the levels of compliance with legal and traceability requirements for wood and biomass supplied to Ence in order to reduce supply risk as far as possible and thus anticipate undesirable situations within the scope of the Chain of Custody system or Ence's Sustainability Decalogue. Four types of actions are defined within the framework of this programme:

    - ✓ **Documentary verification**: request for information from the supplier or intermediary by telematic means. It may only be carried out in low-risk cases.
    - ✓ **On-site verification**: visit to the supplier's or intermediary's premises to verify documentation. Applicable to high risk and low risk cases with limitations in terms of telematic communication due to confidentiality.
    - ✓ **Field verification**: visit to the source plot of the supply.
    - ✓ **Inspections of suppliers**, undertaken with own means by the sustainability team, either in documentary form or at the supplier's facilities, in order to verify compliance with Sure certification requirements and the Biomass Decalogue

In 2023, over 600 audit or inspection actions were carried out to ensure compliance with sustainability and certification requirements in the supply of wood and biomass and in Ence's own assets.



Control and monitoring of certified suppliers has been reinforced to ensure proper implementation and compliance with certification requirements. Inspection of points of origin has also been reinforced, intensifying sampling in those with the highest potential risk in compliance with Sure's requirements.

Due Diligence in timber procurement

In the exceptional cases where Ence imports wood (in 2023 imports accounted for less than 5% of total wood consumed), before acquiring this timber and to ensure that it complies with Spanish regulations (RD 1088/2015 on timber legality) and international regulations (EUTR Regulation 995/2010 on due diligence), Ence carries out a risk assessment based on its origin.

In accordance with Ence's Due Diligence system, all timber that does not come from the Iberian Peninsula may be considered low-risk as long as it has a FLEGT/CITES import licence and acts in accordance with the FLEGT agreement signed between the EU and the country of origin, or is covered by a current Forest Traceability certificate (FSC® or PEFC).

In addition, to ensure the traceability of the timber purchased, the entire supply chain has been identified and the supplier has been assessed. Subsequently, they have been incorporated into Ence's Origin Verification Programme and their commitment to Human and Labour Rights throughout the supply chain has been assured.

Commitment to Human Rights

Despite operating in markets with a low risk of human rights violations (mainly Spain and Portugal), Ence has various measures in place to ensure compliance with human rights both in its direct operations and in its supply chain.

On the one hand, **Ence's Code of Conduct** defines the ethical bases and establishes the principles and guidelines for conduct aimed at guaranteeing ethical and responsible behaviour by Ence in its direct operations, while promoting and extending these behaviours to its entire value chain. The Code of Conduct explicitly includes the commitment to strict compliance with the Universal Declaration of Human Rights as one of the pillars that must govern the way of acting and its consideration in the contracting and supplier selection processes.

In this regard, **Ence's Purchasing Policy** extends its commitment to respect human rights to its supply chain. An example of this can be found in the certification process for industrial and service suppliers of agroforestry, wood and biomass, including a formal statement to be filled in by suppliers. In this statement, they undertake to comply with the highest ethical and behaviour standards, such as the United Nations Guiding Principles on Business and Human Rights, the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, the OECD Guidelines for Multinational Enterprises and the United Nations Global Compact.

These statements are contractual commitments, whereby Ence ensures that its suppliers do not cause or contribute to negative human rights impacts.

The Sustainability Policy sets out Ence's guidelines for action to help improve people's well-being, ensure the environmental sustainability of its operations, promote the economic and social development of the communities in which it operates and create sustainable value. Commitment to human rights is one of the general principles of this policy, which ensures respect for and compliance with the main international human rights agreements.

In addition, in 2023, Ence approved the **Sustainability Due Diligence Policy**. The purpose of this policy is to ensure respect for human rights and environmental protection in accordance with the main internationally recognised standards, guaranteeing that due diligence processes are established in these matters both in Ence's direct operations and in its global supply chain.

Derived from this Policy, in 2023, Ence also drew up and approved the **Due Diligence Procedure with third parties**, which establishes the guidelines to be followed by the Ence Group to manage all business relationships with a view to ensuring compliance with basic principles in the areas of human rights, the environment, ethics and compliance. A first pilot phase was carried out in 2023 to roll out the new Procedure to a representative selection of different types of suppliers and customers, and from 2024 onwards, to start the progressive and phased scaling up to all business relationships.

With the implementation of this Policy and Procedure, Ence has sought to adapt in advance to the new requirements of the future European Directive on corporate due diligence in sustainability matters.

Generating value in the rural environment

GRI 203-2, GRI 204-1

In addition to generating value through the promotion of best forestry practices, Ence creates value for all components of its supply chain through its wood and biomass purchases and its agreements with forestry, harvesting and transport companies. Ence's wood and biomass supply model is based on three types of sources:

- ✓ Asset: wood and/or biomass from forests managed by Ence throughout the production process.
- ✓ Standing timber purchases: woodlands in which Ence acquires wood and is in charge of harvesting and transferring the wood and/or biomass to the factory.
- ✓ Supplies: purchases of wood and/or biomass at the factory gate, without any direct responsibility on the part of Ence in the previous management phases.

In the case of the asset forests, Ence relies on third-party companies to carry out forestry, harvesting and transport work. In the case of standing purchases, Ence contracts companies to harvest and transport the material. In the case of supplies, Ence works directly with suppliers, who deliver the material directly to the company's facilities.

Generation of value derived from forest asset activity

Ence's assets produce wood for processing at the biofactories in Navia and Pontevedra and, specifically in its forests in the south of the Iberian Peninsula, wood is also produced for sale to third parties.

In addition to timber production, the management of Ence's assets generates a volume of investment that reverts to the community through the contracting of planting, conservation and forestry work, among others. The total amount generated by this activity amounts to more than €16M.

Ence's asset forests also produce other products in addition to wood, such as cork in the cork oak forests that the company manages in the south of the Iberian Peninsula. Ence also offers its forests to local livestock farmers to make forest management compatible with other activities. Thus, in the Ence forests, pastures are used for livestock grazing and beehives are also located for apiculture, which favours the pollination of natural plants and crops. The Ence forests are also used for hunting and mycological exploitation, which generates value for the local community and promotes tourism in these regions. Ence's assets also include pastures for rearing Iberian pigs.

Value generation in the supply chain

Wood and biomass from Ence's asset forests accounts for only a small part of the total consumed by the company in its biofactories and independent power plants, so the vast majority is obtained from standing timber purchases and supplies, generating value for harvesting, transport and supply companies. In 2023, more than 3M m^3 of wood was mobilised for the

biofactories, thanks, among other measures, to support for the supply chain, prioritising the maintenance of their activity despite the downward trend in cellulose prices, which was particularly marked in the first months of the year, instead of paralysing the reception of wood, which would have caused serious damage to the supply network.

Ence also works mainly with local suppliers, reflecting its commitment to creating value in the local areas in which it operates. Thus, around 95% of the wood used by Ence in its biofactories is of local origin.

With regard to the characteristics of the suppliers, Ence generates value in the industry in a very all-inclusive way, as it works mainly with small forest owners (98% of the total) and small suppliers (85% of the total). Overall, in 2023, Ence has allocated some €250M to local forestry purchases, of which almost 80% correspond to purchases from suppliers and forest owners, and the remaining 20% to forestry contractors and timber transport companies.

Generating added value with improved plants

Ence not only generates value for forest owners through the purchase of timber, but also helps them to improve the efficiency and productivity of their plantations by providing improved eucalyptus plants that are more resistant to pests and diseases aggravated by climate change. Thus, Ence's nurseries mainly manage the production and distribution of 9 commercial clones of *Eucalyptus globulus* and *Eucalyptus nitens* seedlings.

With regard to *E. globulus* clones, Ence markets nine plus tree clones (selected in their place of origin for their outstanding characteristics of productivity, straightness, resistance to environmental stress, tolerance to cold and regrowth capacity, among others), including Colunga, which is tolerant to the disease caused by fungus *Teratosphaeria* (more information under https://viverosence.es/eucalyptus-globulus).

As for *E. nitens*, the R&D&i department at Ence has been working for years in its nurseries to improve the genetic quality of the seed used for its reproduction, and currently has four degrees of improvement (*E. nitens* L2, L3, L4 y L5) that provide specimens that exceed the growth in wood volume by between 5 and 20% compared to specimens from local, unselected seed. Ence also markets selected seed with greater resistance to the *Teratosphaeria* fungus, thus offering solutions to forest owners in the areas most affected by this problem (more information under https://viverosence.es/eucalyptus-nitens).

Helping to build an efficient and competitive agroforestry industry

GRI 308-2, GRI 413-1

Ence, as one of the main purchasers of wood and biomass in Spain, is committed to the **transmission of best practices throughout its supply chain** and the entire agroforestry industry. In this sense, the company works fundamentally on the continuous improvement of the health and safety of people, the improvement of machinery and operations by promoting best practices, training and awareness of the entire chain. Ence thus actively contributes to boosting the industry by sharing knowledge and technology with all the links in its supply chain and extending its forestry management model, certification and other sustainability policies to its entire value chain, to promote the **professionalisation, competitiveness and long-term sustainability** of an industry that is set to be key in the transition to the bioeconomy.

Ence is also working to extend the sustainability criteria adopted by the company (both regulatory and voluntary) to the entire supply chain, mainly using external certifications as a guarantee of compliance and promoting communication and environmental awareness in the industry to enable it to integrate increasingly strict European and national environmental policies.

With all this, in addition to having responsibly produced and managed material, Ence encourages the creation and incorporation of new companies in the industry and the loyalty of existing ones by establishing long-term contracts. Ence also accompanies its suppliers and service companies in their growth and development by supporting investment in machinery and advising on the incorporation and training of personnel, which contributes to the professionalisation of the industry.

In November 2023, in order to reinforce its commitment to the rural environment and to promote the development, sustainability and visibility of the forestry industry, Ence unveiled Ence Terra, the new vision of the company's forestry activity. Ence Terra works with the forestry industry to promote its future, fosters a positive image of the industry and promotes an active dialogue between the different actors in the forest value chain.

Through various initiatives, Ence Terra wants to contribute to making the forestry industry itself and the value it generates for society more visible –by promoting industrial communication and a greater presence of the company at fairs and forums, increasing contact with universities and research centres– as well as the value of eucalyptus as a key species for the production of the wood needed to drive the circular bioeconomy. At the same time, it reinforces Ence's commitment to the territory.

Ence Terra, based at the Pontevedra biofactory, is the company that encompasses all the group's activities related to sustainable forest management: from the management of its own assets and those of third parties through different types of contract, to the purchase and supply of

wood, including advice to landowners, the development and sale of plants in nurseries, research in the forestry field and the ecosystem services that the company has certified.
This new vision is accompanied by an ambitious plan to strengthen Ence Terra's relationship with the rest of the companies in the industry (suppliers, collaborators, logistics companies, etc.), with forest owners and with the different administrations.
It is a plan based on dialogue and listening, which aims to involve the entire value chain of the forest and create synergies for growth and development among its members with a long-term vision.

Among the initiatives included in this plan is the **free professional advisory service** for forest owners implemented during 2022, whose main objective is to provide advice to the owner, the professionalisation of the industry and the promotion of joint management between owners. Ence Terra provides this service at no cost to the individual, to increase the productivity and sustainability of its eucalyptus plantations, transmitting the company's forestry know-how to forest owners. To this end, and specifically for each forest owner and on their own plots, it offers advice on soil analysis to enable them to carry out the best nutritional management. Currently, this activity is not only focused on the areas most affected by abandonment in Asturias, but has also been extended to other areas of Galicia and in 2023, the forest management improvement service has carried out 260 consultancies. This team also works with local forestry companies to share knowledge and improve operations on eucalyptus plantations. Advice is available via Ence's call centre (+34 900 100 750).

In addition to this free professional advisory service, and with the aim of improving the productivity, profitability and sustainability of forest harvests, Ence Terra offers a **360º professional service**, in which the owner is offered all the services he may need throughout the life cycle of the plantations, from the supply of quality plants suitable for his plot, advice and monitoring of the crop, purchase of timber and management of permits, harvesting and integrated forest management, including advice on other ecosystem services such as CO_2 capture, among others.

In addition to the possibility of contracts for the forest management of private properties, Ence Terra also supports other **initiatives to combat abandonment**, such as the development of an

Inheritors' Manual (to encourage the heirs of forest properties to continue with the active management of the forests and not abandon them) and the promotion of joint management forest groups, which facilitates management, especially in areas such as Galicia where micro-ownership is a handicap for the implementation of best forestry practices and others such as certification.

Ence Terra also aims to boost the **visibility of the forestry industry within society,** making it more attractive and achieving consensus that will benefit all the actors involved. Through Ence Terra, funds will also be channelled to research, together with the Administration and universities, with special attention to improving the adaptability and resistance of species to the territory, moving towards more resilient forest crops that are better adapted to climate change. And all of this prioritising the social, economic and environmental sustainability of the forests, giving impetus to actions for technical improvements in management, conserving and promoting biodiversity.

In relation to the companies in the industry, Ence Terra was created with the vocation of continuing to contribute to their sustainability and growth. To this end, plans for the identification, training and education of new forestry workers will be promoted, encouraging the incorporation of new personnel and the specialisation of current workers in order to alleviate the lack of skilled labour in the forestry industry. Thus, in order to develop and professionalise the industry, as well as to continue improving safety in the forestry field, the company promotes **Forestry Machine Operator Courses**, focused on training new professionals in the handling of forestry machinery, improving their employability in the industry.

In this sense, in 2023, Ence has continued with the forestry machinist courses that it has been promoting in the north for several years and has promoted the first forestry machinist course in the province of Huelva, offering training scholarships to 15 young people from the Huelva region. By way of this training, the company seeks to take a further step in the consolidation of the forestry industry as a fundamental economic engine for the subsistence of the rural environment.

The company also reinforces its commitment to companies by providing the necessary resources for the operation, as well as improving their efficiency, through a new team specifically created to **service contractors and suppliers**, which aims to boost the efficiency of the operations of companies in the supply chain through specific collaborations such as the management of replacement machinery to replace broken machinery while it is being repaired. In addition, within the framework of Ence Terra, investments are planned in both biofactories (Pontevedra and Navia) to facilitate the process of receiving wood at the company's facilities for suppliers, as well as new initiatives to continue adopting and transferring best practices, mainly in terms of safety.

Ence also accompanies its suppliers and service companies in their growth and development through the **transmission of knowledge**, which also contributes to the professionalisation of the industry.

In this context, during 2023, Ence has maintained its **Open Days** for suppliers and contractors and its programme of visits to its biofactories, with a total of more than 800 visits to the Navia and Pontevedra centres. Suppliers were able to learn in detail about the cellulose production process and visit a series of stands where they were explained different concepts about safety, quality, points programme, traceability and forest management, reception of raw material, final product and nurseries. The **Showcase Project** was also continued and reinforced in 2023, with which Ence organises visits to its forests for different associations in the industry with the aim of transferring technology and showing the results of the management model applied in its plantations, from plant production to forestry use. Throughout 2023, 11 visits to the forests included in the project have been organised with different forestry associations.

Moreover, as regards knowledge transfer, 38 workshops were held to teach owners, students, professionals and companies in the supply chain the basics of sustainable forest management and other useful knowledge regarding Ence's activity.

In the agricultural industry, Ence applies the same principles of transmitting knowledge and promoting the professionalisation of the industry. Proof of this is the agricultural machinery financing project that Magnon has launched in 2023. The aim of the project is to promote professionalisation through the entry of machinery in the agricultural biomass industry. To this end, Ence finances machinery for biomass suppliers through long-term agreements with them. As a result of this initiative, 8 shredding machines have already been financed, specifically for olive pruning. This milestone supports the development of biomass suppliers, boosting their growth and supporting the professionalisation of their activity.

This project makes a special contribution to the olive industry, a key player in the Spanish countryside, and at the same time strengthens Ence's long-term sustainable biomass supply strategy. In addition, this project is a tool for the loyalty of the supply chain in the areas of Andalusia, Castile La Mancha and Extremadura, reactivating the economy of the countryside, acting as a socio-economic vector and thus contributing to the structuring of the territory. The scope of the project includes the financing of 28 different types of equipment for the use of both agricultural and forestry waste.

Contributing to climate change mitigation: forest sinks

Another way in which Ence generates value for society and the planet by means of its forest management is by **capturing and fixing carbon** in its forests. The forests managed by Ence are an important CO_2 store, both in the wood-producing areas and in the other areas (holm oak groves, cork oak groves, riverside forests, Atlantic forests, serial scrubland, etc.) that form part of its protection area.

Taking into account the additionality and absorption and compensation requirements deriving from the commitments adopted by the countries present at the different Conferences of Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC) including Spain, Ence has undertaken a programme to identify, analyse, quantify and, where appropriate, certify forest sinks within its assets, with the goal of registering absorptions and offering the corresponding credits to companies interested in offsetting their carbon footprint.

As a result of this commitment, Ence succeeded in November 2022 in registering a first absorption project, creating a forest sink in the "Los Marcos" mountain, in the town of Trigueros (Huelva). The project, with a total area of 26 ha, corresponds to the transformation of a eucalyptus plantation that burnt down in 2019 into a *Pinus pinea* pine forest, which will absorb around 4,000 tn CO_2 over the next 40 years. The forest stand is certified according to FSC® (license code FSC®-C099970) and PEFC (license code PEFC/14-22-00010) standards and has protection areas (around 4 ha) that will benefit as ecological corridors from the implementation of a new forest cover (more information under https://ence.es/proyectos/bosque-axion-los-marcos-ence/).

Following the path initiated in 2022, Ence has developed throughout 2023 an intense activity in the development of forest sinks as a voluntary emissions offsetting tool. Thus, within the framework of the methodologies defined by the Spanish Climate Change Office (OECC) of the Ministry of Ecological Transition and Demographic Challenge, Ence has managed to register 48 forest sinks by 2023. If we add to this figure the sinks registered in other schemes, the figure rises to 53 forest sinks, covering an area of more than 1,750 hectares.

A relevant fact of this project is the fact that 100% of the projects in which Ence has worked correspond to the restoration of areas affected by various forest fires, so the benefit is twofold: not only is $_{CO2}$capture promoted, but also areas affected by fires are restored, which effectively contributes to the promotion of biodiversity and soil conservation. In addition, all the forests have forest certification, which adds to all the above the guarantees of sustainable management verified by third parties.

Ence aims to develop this same model not only in its own assets, but also in the forestry industry. To this end, Ence intends to promote the creation of sinks in burnt areas belonging to other forest owners through long-term management models, including the promotion of biodiversity and sustainable forest management, as required by international institutions (EU, UN). In this line, the development of new methodologies oriented towards the generation of sinks based on forest management (not necessarily in burnt forests) must be a differential fact.

TO THE CLIMATE

*"**Ence's strategy** is focused on the development of businesses linked to the fight against climate change, demonstrating its firm commitment to a low-carbon economy **in line with the European Union's decarbonisation objectives"***

Key milestones in 2023

Climate Risk Analysis Update	Navia records its lowest **emissions-to-production** ratio in its historical series in 2023	Approval of new reduction targets: **-70%** Absolute A1+A2 **emissions** at Group level in 2035 vs. 2018	Registration in the MITERD Carbon Footprint Registry 2018-2022 and obtaining the ***Calculo y Reduzco*** **Label**	**>600,000 tCO_2e** absorbed in Ence's forest assets

Fighting climate change and adapting to its effects is one of the major global challenges. Aware of this situation, Ence is tackling this challenge through its **business model**, which focuses on activities that help **mitigate climate change**, such as the production of renewable energy and the manufacture of bioproducts to replace materials derived from fossil fuels.

With this business model, Ence contributes to the decarbonisation of the economy and the reduction of the effects of climate change, while promoting the adoption of an approach based on the circular economy. For more details on Ence's strategy, see section "MARKET CONTEXT AND STRATEGY".

"Ence's climate action strategy focuses on two aspects: mitigation and adaptation to climate change"

Beyond the contribution through its own business model, Ence's climate action strategy focuses on two aspects: **mitigating climate change** by reducing emissions from its processes and contributing to decarbonising the electricity mix, and **adapting to climate change** by systematically analysing the risks and opportunities arising from it.

Climate change mitigation

To contribute to climate change mitigation, Ence focuses on **reducing greenhouse gas emissions** generated in its operations, in line with the objectives set out in the Paris Agreement and the commitments made at national and European level. Ence also promotes the role of its forestry plantations as **carbon sinks**, which absorb CO_2 from the atmosphere and fix it in the soil and plant biomass.

Decarbonisation plan

As part of its Decarbonisation Plan, Ence is working to minimise emissions from its production processes, so far focusing especially on the cellulose mills, which account for most of the emissions. To this end, it set a target to reduce specific Scope 1 and 2 emissions from its biofactories by 25% in 2025 compared to the base year (2018).

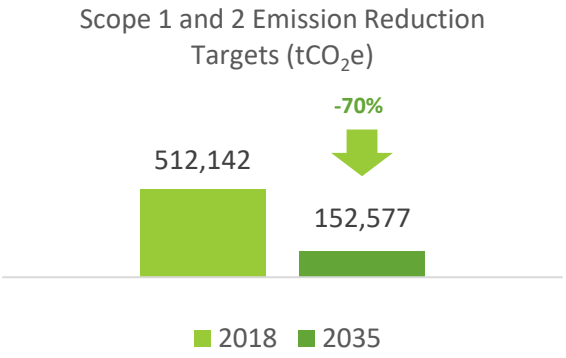
Furthermore, in order to advance in its commitment to decarbonisation, in 2023, integrated in the new Sustainability Master Plan 2024-2028, the new **Decarbonisation Plan** was approved with new and more ambitious emission reduction targets.

"The new decarbonisation plan with targets to 2035 was approved in 2023"

Emission reduction targets

In 2023, Ence has made a commitment to reduce 70% of its absolute emissions at **scope 1 and scope 2** group level in 2035 compared to its base year data, 2018. To this end, it has outlined a decarbonisation pathway with emission reduction targets aligned with the 1.5 ºC temperature increase scenario. In setting these targets, Ence has incorporated the main recommendations of SBTi (Industry Near-term target).

"Ence has made a commitment to reduce 70% of its absolute emissions at scope 1 and scope 2 group level in 2035 compared to 2018"



Decarbonisation of operations

To meet the scope 1 and 2 emissions reduction targets set out in the decarbonisation pathway, Ence has identified and planned specific decarbonisation measures for deployment in the 2023-2035 timeframe. The measures are aimed at reducing the main sources of emissions, which is why they have focused on the **cellulose business** (where CO_2e emissions are most concentrated) and on the main emission sources (emissions from electricity and emissions from the biofactories' lime kilns).

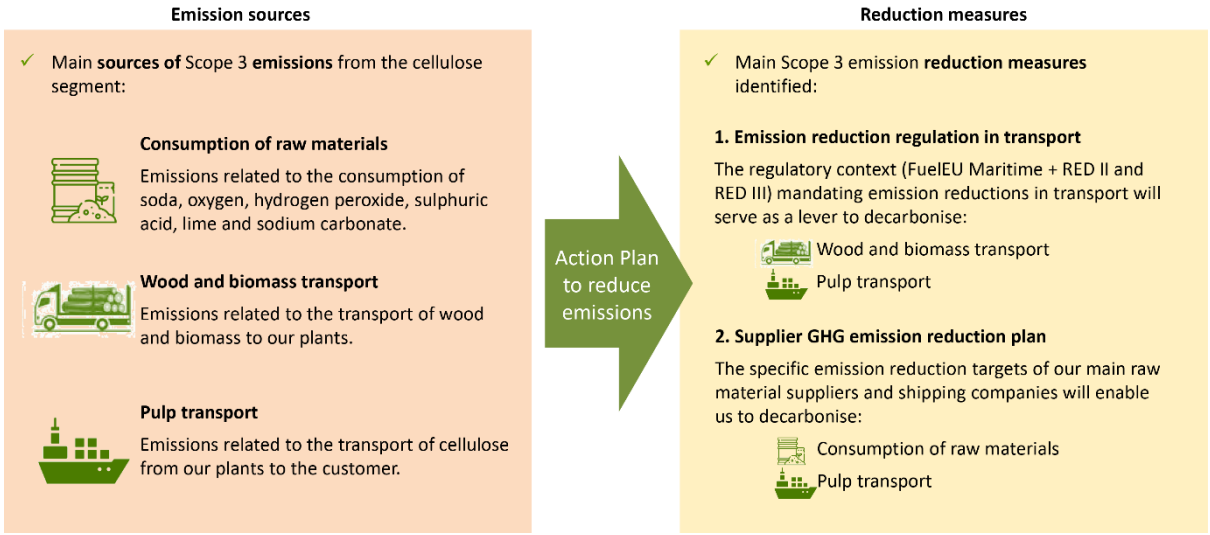
The main reduction measures are summarised below:

Reduction measure	Scope	Description	Projected reduction (at group level)
Electricity consumption with GdO	Scope 2	✓ Increased self-consumption of electricity from renewable electricity generated with Guarantees of Origin (GoO) with an emission factor of 0.	✓ **-45%** tCO_2e in 2035 vs 2018 (A1+A2)
Substitution of natural gas consumption by biomethanol	Scope 1	✓ Cofiring technology using biomethanol (MeOH) in lime kilns. ✓ MeOH is a liquid biofuel from the black liquor evaporation plant. ✓ Technology included in the industry's BAT.	✓ **Replacement of 10%** of natural gas in the lime kiln in Navia ✓ **-18%** tCO_2e in 2035 vs 2018 (A1+A2)
Substitution of natural gas consumption by pulverised biomass	Scope 1	✓ Cofiring technology of pulverised biomass in lime kilns. ✓ Potential raw material: Sawdust, bark, "microchips", lignin.	✓ **Replacement of 90%** of natural gas in the lime kiln in Navia and 20% in Pontevedra ✓ **-26%** tCO_2e in 2035 vs 2018 (A1+A2) (Navia) ✓ **-19%** tCO_2e in 2035 vs 2018 (A1+A2) (Pontevedra).

In the **renewable energy business**, the main way forward is to reduce self-consumption in order to be able to feed more renewable energy into the grid. To this end, photovoltaic generation facilities have been developed adjacent to the Huelva and Mérida plants. In this sense, in addition to the photovoltaic plants already in place, work will continue on reducing self-consumption by improving the efficiency of the equipment. In addition, in 2023, the first phase of the project to draw up an emissions reduction plan for the energy business was completed, which consisted of workshops at each plant to identify potential reduction initiatives. In 2024, these will be finalised and consolidated in an emissions reduction plan for this business that will further reduce the Ence Group's carbon footprint.

Supply chain decarbonisation

To achieve the Scope 3 indirect emissions reduction target, Ence has identified its main emission sources and established an Action Plan for their reduction:



The main reduction measures are summarised below:

Reduction measure	Description
Emission reduction regulations in transport	✓ There are currently different regulatory frameworks that set targets for emission reductions in transport. This policy context can be used as a lever to boost the decarbonisation of scope 3 linked to upstream and downstream transport. 1. **FuelEU Maritime – Maritime transport:** The aim of Regulation (EU) 2023/1805, known as "FuelEU Maritime", is to limit greenhouse gas (GHG) emissions from the energy used on board ships arriving, departing and staying in EU ports. The GHG reduction targets are articulated along the following pathway: -2% (2025); -6% (2030); -14,5% (2035); -31% (2040); -62% (2045); y -80% (2050). 2. **RED II and III - Road transport:** The minimum share of renewable energy (in relation to final energy consumption) in the transport industry in 2030 should reach 14%; according to RED II. According to RED III, this % increases to 29% or a greenhouse gas reduction of 14.5% by 2030 (incorporation of biofuels).
Emission reduction in providers	✓ Ence has selected the main raw material suppliers and shipping companies from which it has requested information on their Scope 1 and 2 emission reduction plans and targets. With this information, Ence has analysed the suppliers' specific reduction targets and extrapolated **the reductions** to its Scope 3 emissions **under the following assumptions**: 1. **Consumption of raw materials:** Reduction of the emission factor (tCO_2e/ton) of each feedstock in line with the reduction plans and targets of the main suppliers of the relevant feedstock.

2. **Cellulose transport:** Reduction of the emission factor (tCO_2e/ton*km) in line with the reduction plans and targets of the main shipping companies and vessels with which Ence works.

In addition to seeking initiatives to reduce direct emissions and indirect emissions, Ence collaborates with the local communities where it operates to contribute to the fight against climate change. A clear example is the adhesion in 2023 to the **Alianza Galega Polo Clima**, which seeks to contribute to the advancement of environmental improvement and curb the effects of climate change in the Galician community.

"In 2023, Ence joins the Galician Climate Alliance, which seeks to contribute to curbing the effects of climate change in the Galician community"

Avoided emissions and forest sinks

Ence not only contributes to mitigating climate change by reducing its own emissions, but also by avoiding their generation through the production of renewable energy in its biofactories and independent plants. As a result, the renewable energy produced by Ence in 2023 avoided the emission of approximately 470,000 tCO_2e.

Ence, together with the rest of the forestry industry, also contributes to the goal of achieving climate neutrality by promoting and maintaining forest areas that act as carbon sinks. In this sense, according to ASPAPEL estimates, in 2022, the amount of carbon stored in plantations for the paper industry was around 12.9M tn, which is equivalent to more than 47.5M tCO_2e.

In this context, the plantations of Ence's forest assets[5] absorb more than 600,000 tonnes of CO_2 from the atmosphere per year.

Ence's forestry plantations absorb more carbon than is removed by their exploitation, which in 2023 offered a positive balance of more than 200,000 tCO_2e.

Carbon footprint 2023

GRI 305-1, GRI 305-2, GRI 305-3, GRI 305-4, GRI 305-5, GRI 201-2

The analysis of the company's carbon footprint is the main tool used by Ence to define its emissions reduction strategy, as it reveals the main opportunities for improvement and facilitates monitoring the evolution of emissions from year to year. In 2018, Ence implemented the calculation of the carbon footprint of the organisation and its main products (pulp and energy generated), which served as the base year for setting reduction targets.

Ence performs this analysis in accordance with the following UNE EN ISO 14064-1:2019 (organisation) and UNE EN ISO 14067:2019 (product) standards and following the guidelines of the Corporate Accounting and Reporting Standard of the Greenhouse Gas Protocol (GHG Protocol) and the calculation tools for the cellulose and paper industry (Calculation Tools for Estimating Greenhouse Gas Emissions from Cellulose and Paper Mills).

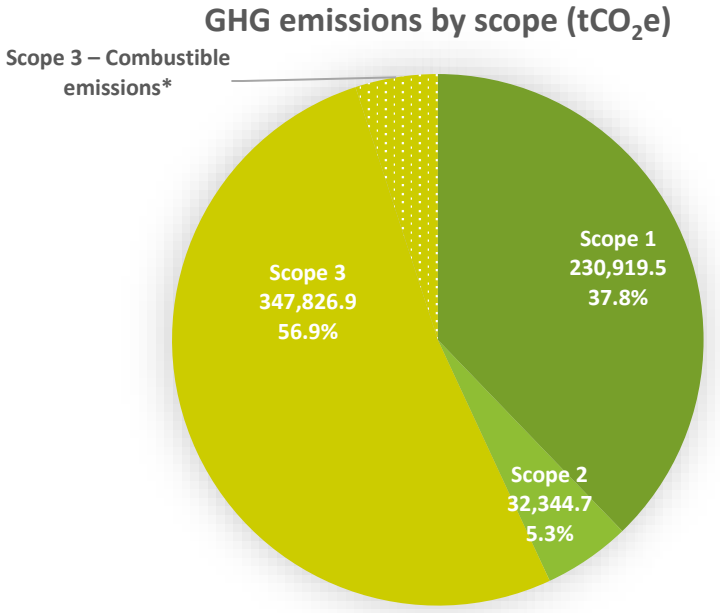
[5] It does not include the forest area acquired in 2023 in the auction of SNIACE's assets.

"In 2023, the footprints corresponding to the historical series 2018-2022 have been registered in the voluntary carbon footprint registry of the Ministry for Ecological Transition and Demographic Challenge, obtaining the 'Calculo y reduzco' seal."

Each year, the results of the analysis are subject to independent external verification with reasonable scope. Ence's carbon footprint is calculated using an operational control approach and covers direct emissions from operations (Scope 1), indirect emissions from the purchase of electricity (Scope 2) and other indirect emissions (Scope 3), taking into account the entire life cycle of its activities and products, from the procurement of raw materials to the distribution of the final product.

Once they have undergone independent external verification, Ence publishes comprehensive reports with the results of its carbon footprint analysis on the website.

The main figures of the Ence 2023 carbon footprint are detailed below[6]:

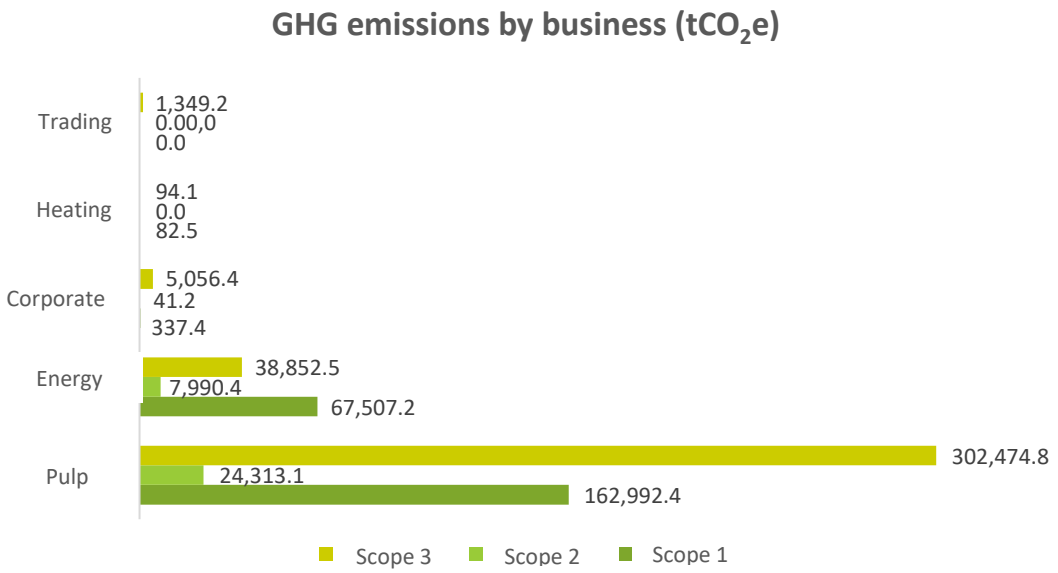


** New scope category 3: Fuel and energy activities not included in scopes 1 and 2, which include indirect emissions from extraction, refining and transport of fuels to the facilities where they are used.*

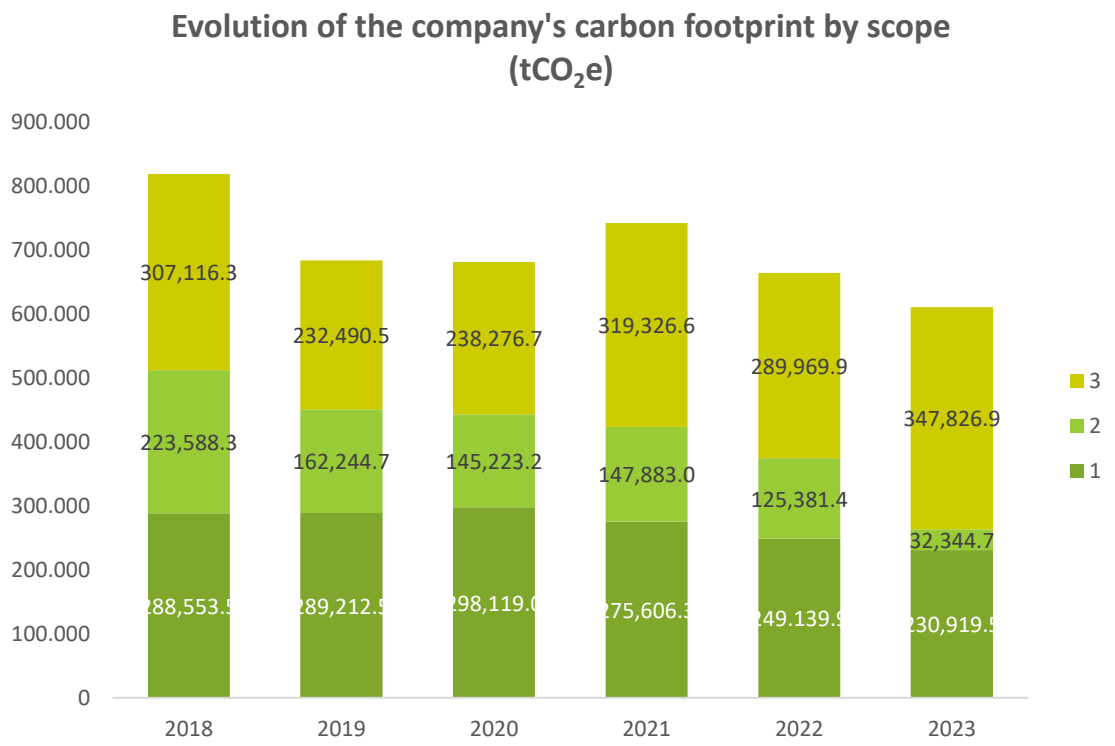
[6]Note: The results of the 2023 carbon footprint analysis are based on data available at the closing date of this report. The calculations have used the latest available emission factor values, in many cases for 2022, and should therefore be considered provisional and will need to be updated once the relevant agencies publish updates for 2023. Once the carbon footprint has been recalculated with the emission factors corresponding to 2023, Ence will proceed to its independent external verification and publication of the GHG Report in its website.

The Group's emissions in 2023 amounted to 611,091.1 tCO_2e, with indirect Scope 3 emissions making the largest contribution, accounting for 57% of the total. This scope includes emissions from forestry and forest harvesting, wood and biomass logistics, emissions associated with raw material consumption, water consumption and waste generation at the mills, emissions from cellulose logistics to the final customer and emissions from the final use of biomass from the new trading business. Direct emissions (Scope 1) account for 37.8% of the total amount, with emissions from the consumption of fossil fuels standing out within this scope.

In 2023, the scope of the footprint calculation was extended to include the new industrial heat and biomass trading businesses. In both cases, the largest contribution of these activities is in the scope 3 emissions of the energy business, mainly due to an increase in the use and transport of the biomass they use, as well as the use of biomass as fuel in the customer's facilities. For trading, emissions from the end use of the biomass sold have also been considered. Also, as an improvement measure, a new scope 3 category (Fuel and energy activities not included in scopes 1 and 2, which include indirect emissions from extraction, refining and transport of fuels to the facilities where they are used).



By business, the cellulose business line is the largest contributor to the Group's carbon footprint, accounting for 80% of the total. This is because this business concentrates fossil fuel consumption (especially in the lime kilns of biofactories) and emissions from forest management and wood and cellulose logistics. The power plant business contributes 19%, with emissions from the Lucena natural gas cogeneration plant and operations at the Huelva complex, while corporate and the two new industrial heat (heating) and trading businesses are responsible for 1% of the company's emissions.



In 2023, the Group's carbon footprint has been reduced by 8% compared to the previous year mainly due to the following factors:

- ✓ Substitution of the main fuel in the lime kilns in Navia, changing from fuel oil to natural gas, with a lower emission factor. This initiative has contributed to reducing the Scope 1 emissions of the cellulose business and the Group.
- ✓ Substitution of fossil fuels in the Navia lime kilns, replacing part of the natural gas with renewable biomethanol. This initiative has contributed to reducing the Scope 1 emissions of the cellulose business and the Group.
- ✓ Change of the electricity consumption and sale regime in both biofactories from an all-consumption system (sale of all the electricity produced and purchase of all the electricity consumed) to a self-consumption system (consumption of the electricity produced to meet the plant's needs and sale of the surplus). This initiative has contributed to reducing the Scope 2 emissions of the cellulose business and the Group.
- ✓ Changes in the operating periods of the power plants compared to the previous year have resulted in a reduction in Scope 1 emissions in this business line, while Scope 2 emissions have increased due to a higher demand for grid electricity to cover ancillary services.

Scope 3 emissions have however increased, on the one hand due to the inclusion of the new biomass *heating* and *trading* businesses and, especially, due to the incorporation into the calculation of the new category of emissions corresponding to fuel and energy activities not included in scopes 1 and 2, which include indirect emissions from extraction, refining and transport of fuels to the facilities where they are used.

EU Emissions Trading

Independently of the calculation of Ence's organisational footprint, the Navia, Pontevedra and Lucena facilities are subject to the European Union Emissions Trading Scheme (EU-ETS). Emissions from the use of fuels in these plants are therefore subject to annual audits and verifications as part of the reporting.

79% of the emissions included in Ence's global carbon footprint (scope 1) are included in the European Emissions Trading System (EU ETS).

Adaptation to climate change

The second pillar of Ence's climate action strategy is based on analysing the **risks and opportunities arising from climate change** in order to propose mitigation actions that strengthen the company's resilience.

For the analysis and management of climate risks and opportunities, Ence has adopted the recommendations of the ***Task Force on Climate-related Financial Disclosures (TCFD)*** of the Financial Stability Board (FSB), structuring the information into four areas: Governance, Strategy, Risk Management and Metrics and targets.

GOVERNANCE

Governing Board: strategic role and oversight of climate action

From a strategic perspective, the integration of climate action into Ence's business model and strategy is the responsibility of the Board of Directors, which approves both the Strategic Framework and the Sustainability Master Plan. Both plans include the short, medium and long-term economic, social and environmental guidelines, pillars and objectives for the company, including the climate action and emission reduction targets of the decarbonisation plan.

With regard to the supervision of climate risks, the highest governance body responsible is the Board of Directors, which, through its **Audit Committee**, supervises the risk identification and management systems. This body oversees risk identification and management systems and mitigation strategies in an integrated manner with the company's Risk Management System. Moreover, they are responsible for overseeing the analysis of scenarios and timeframes used in the assessment.

The **Sustainability Committee** is responsible for monitoring and supervising the sustainability strategy. As climate change is a key component of the Sustainability Master Plan, both the Board of Directors and, in particular, the Sustainability Committee monitor performance indicators for climate change mitigation and adaptation.

The Sustainability Committee **meets at least quarterly** to analyse the objectives set out in the Sustainability Master Plan, which includes climate change as one of its main aspects.

By 2024, the new Sustainability Master Plan 2024-2028 foresees the approval by the Board of Directors of a specific Climate Action Policy.

Senior management and business areas: assessing and managing climate action

At the executive level, the **Management Committee** is responsible for the day-to-day management of the company and takes the main economic, social and environmental decisions, which may be submitted to the Board of Directors or to the various Board Committees. It is also in charge of **reviewing** the annual Sustainability objectives, which include specific projects for decarbonisation of the company, **on a monthly basis** in order to report to the Board of Directors.

"In 2023, the Climate Risk Analysis has been updated."

In 2023, Ence **updated the Climate Risk Analysis** within the **Climate Risk Committee, chaired by the** company' **s Chairman** and made up of the General Managers of the cellulose, energy and finance and equity areas. The corporate sustainability area and the areas of planning and control and internal audit also participate in this committee. For the update, a specific cross-cutting working group was set up comprising representatives from the different business areas. Coordinated by the Sustainability Directorate General, the business areas worked on (a) identifying risks and opportunities; (b) assessing the impact of each risk on operational variables; (c) quantifying the financial impact; and (d) defining mitigation plans for each risk.

STRATEGY

Ence's climate change strategy is to anticipate climate risks in order to manage them efficiently, while at the same time incorporating into its business model new opportunities brought about by the transition to a low-carbon economy. For this, Ence has selected different physical and transition scenarios and different time horizons to analyse the impact of climate risks and opportunities on its business model. The methodology for identifying and assessing climate risks and impacts is described below.

Climate risk identification

To identify risks, Ence conducted a prior analysis of the different frameworks that include lists of climate risks, as well as their classification, specifically those included in the TFCD, European taxonomy and the draft Royal Decree on climate risk reports that articulates the Climate Change Act of 2021. This prior analysis made it possible to rule out those risks to which Ence is not exposed, as well as to identify and define in detail those potential risks to which it is not exposed.

The following table shows the universe of potential climate risks identified by Ence:

					Probability	Potentially material risk	CELULOSA	ENERGÍA
PHYSICAL	CHRONIC	Changes in precipitation and temperature patterns	1	Decreasing timber availability and plantation variability	Probable	No	✓	
			2	Impact on Ence's assets due to reduced growth of *E. globulus* in the south of the Iberian Peninsula	Probable	No	✓	
			3	Impact of climate change on biomass availability	Rare	No		✓
			4	Reduced equipment performance due to temperature increase	Rare	No	✓	✓
	ACUTE	Heat Waves	5	Reduced staff performance due to heat waves	Rare	No	✓	✓
		Floods	6	Structural integrity of biofactories	Improbable	No	✓	
		Forest fires	7	Increase in fires in Ence's forestry assets	Moderate	No	✓	
		Droughts	8	Reduced availability of water resources	True	Yes	✓	✓
TRANSITION	CURRENT REGULATION	Carbon price	9	Increase in the price of emission allowances (EU ETS): Direct risk due to the cost of duties and indirect risk of an increase in the price of pomace	True	Yes	✓	✓
	MARKET	Increased cost of raw materials	10	Increased costs for gas, fuel oil, chemicals and diesel/petrol linked to emissions trading.	Improbable	No	✓	✓
		Reduced ability to attract	11	Increased cost of funding due to lack of alignment with sustainability	Moderate	No	✓	✓

					Probability	Potentially material risk	CELULOSA	ENERGÍA
		investment/financing		requirements of current funders				
		Need for transition to low-emission technologies	12	Competition for biomass supply with biofuel producers, etc.	True	Yes		✓
	NEW REGULATION	New regulatory requirements	13	Inclusion of the maritime logistics industry in emissions trading with impact on transport costs	Probable	No	✓	

Climate risk and impact assessment

GRI 201-2

In general, the following methodology has been used to assess the climate risks identified:

1

Analysis of impact on operational variables

- ✓ Responsible persons have been assigned to assess the impact on operational variables of the risks identified in each area.

2

Translation of operational impact into financial impact

- ✓ Once the impact on operational variables has been analysed, the financial impact of the risks has been calculated. Specifically the impact on consolidated profit and the impact on the balance sheet.
- ✓ This analysis has been performed on standardised 2022 financial statements.

3

Identification of potentially material impacts

- ✓ Based on the estimated financial impact and the mitigation measures that the company has defined for each risk, the materiality of the risk is determined, using as a reference threshold an annual impact of around €10M on the Group.

Of the entire universe of identified climate risks, only three have been assessed as **potentially material risks** following the risk assessment:

ID	Risk	Potential operational impacts	Potential financial impacts	Main mitigation measures
8	**Reduction in the availability of water resources** in the areas where Ence operates, specifically in the Pontevedra and Navia biofactories.	✓ Increased need for investment in the plant ✓ Cellulose production process	✓ Potentially material impact on consolidated profit and cash in the short term	✓ In the case of Pontevedra: Recirculation of effluent from the installation itself and regeneration of water from the neighbouring WWTPU discharge. With this solution, a pioneer in the industry, Ence will reduce its dependence on water from the River Lérez during periods of drought. ✓ In the case of Navia: reduction of water consumption with

ID	Risk	Potential operational impacts	Potential financial impacts	Main mitigation measures
				measures for recirculation and reuse of effluent, increase of internal storage capacity and desalination. In the longer term, the possibility of obtaining a new collection point is considered.
9	**Increase in the price of pomace due to an increase in the price of emission rights** (due to increased demand for pomace from other industries that need to reduce their emissions).	✓ Reduction of electricity generation ✓ Costs increase due to increase in price of pomace ✓ Reduced availability of pomace	✓ Potentially material short-term cash impact	✓ Establishment of individual fixed-price contracts in the long term for pomace ✓ Potential Government recognition of cost increase in operating remuneration (OR) ✓ Substitution by other types of biomass where technically feasible
12	**Increased competition for biomass supply** in power plants related to the need for other industries to move towards low-emission technologies.	✓ Increased biomass cost overruns due to increased competition ✓	✓ Potentially material long-term cash impact	✓ Reinforcement of the supply network to increase biomass mobilisation capacity ✓ Diversification strategy to use biomasses that are not under so much market stress ✓ Potential Government recognition of cost increase in operating remuneration (OR)

"Of the entire universe of identified climate risks, only three have been assessed as potentially material risks following the risk assessment"

The following sections detail the risks according to the classification proposed by TCFD and describe, for each potentially material risk identified, the **assessment methodology, the outcome of the assessment and the mitigation measures envisaged for each risk**.

Physical risks

For the assessment of physical risks, the scenarios in which the physical impacts are more pronounced have been selected, instead of scenarios that contemplate a warming of less than 1.5 ºC.

Thus, the company works with **two of the representative concentration pathway (RCP)** scenarios defined by the Intergovernmental Panel on Climate Change (IPCC).

- ✓ As an intermediate scenario, **RCP 4.5**, which foresees an average temperature increase of around 2 °C by the end of the 21st century.
- ✓ As a pessimistic scenario, **RCP 8.5**, which foresees an average temperature increase of around 4 °C by the end of the century.

These scenarios are applied to three timeframes: the near future (up to 2040), the medium-term future (up to 2070) and the distant future (up to 2100).

Based on these scenarios, Ence developed its own regional climate models for Spain in 2020 using EURO CORDEX projections from the World Climate Research Programme.

Chronic physical risks

The main climate factor that Ence has identified is related to changes in rainfall and temperature patterns, which may entail the risks of reduced availability of wood and variability of plantations, impact on Ence's assets due to reduced growth of *E. globulus* in the south of the peninsula, impact of climate change on the availability of biomass and reduced equipment performance due to increased temperatures. As discussed above, these risks have been studied in detail and, taking into account the mitigation measures in place or planned, have been ruled out as potentially material risks.

Acute physical risks

The risks in this category identified in the risk analysis were the reduced performance of personnel, the impact on the structural integrity of the biofactories due to flooding, the increased incidence of fires in Ence's forestry assets and the reduction in the availability of water resources. Following the analysis, the only one of these risks considered as potentially material is the latter, which is detailed below:

Reduced availability of water resources: one of the main physical risks that have been identified is the reduction in the availability of water resources in the areas where Ence operates. In 2022, the Pontevedra biofactory was temporarily exposed to this risk. The lack of rainfall, together

with the high temperatures recorded in the summer months, reduced the flow of the river Lérez, which supplies the biofactory. In order to ensure the ecological flow and prioritise supply to the population, Ence stopped the plant's activity until the river flow situation normalised. As this is a potentially material risk, the company has focused on defining and implementing measures to mitigate it**.** In this regard, at the Pontevedra biofactory, Ence launched a pilot project in 2022 for the recirculation of effluent from the facility itself and the regeneration of water from the effluent of the municipal WWTP near the plant. In 2023, the pilot project has been completed and progress has been made in engineering and permitting for the final industrial project. The proposed solution involves subjecting the effluent from the plant and the effluent water from the WWTP to reverse osmosis treatment in order to achieve sufficient water quality to incorporate it into the industrial process, a project for which an investment of €15.5M has been earmarked for 2023. With this solution, a pioneer in the industry, Ence will be able to reduce its dependence on water from the Lérez river during periods of drought or shortage when the river does not reach the necessary flow to supply water to the plant. In addition to this project, a new tertiary treatment plant was installed in 2023 at the biofactory's wastewater treatment plant that improves the quality of the effluent and prepares it for the osmosis process. Once the required permits have been granted by the competent authority and the planned mitigation measures have been implemented, the materiality level of this risk is estimated to be below the established threshold. At the Navia biofactory, Ence has also designed measures to prevent this risk in order to reduce its dependence on current sources of supply. Ence will invest around €5M in the engineering of the project in 2024 and additional investments will be approved in the coming years to mitigate this risk.

Transition risks

For transition risks, Ence uses projections and **scenarios developed by expert industry analysts** for the assessment of the projection of different variables, for example:

- ✓ Exchange rate: average published by major banks or Afry projections.
- ✓ CO_2 price: average of top 10 analysts (BloombergNEF; Brannvoll ApS; Commerzbank; Energy Aspects; Kakubi; Macquarie; Morgan Stanley; Refinitiv; S&P Global; Volue Insight) for the years 2023-2026 and 2030. For the long term (up to 2050) data published by the International Energy Agency in the NZE scenario for Advanced Economies.
- ✓ Electricity, gas and brent prices: estimates provided by THEICE (gas and brent), OMIP (electricity) and Afry.

These scenarios apply to three time horizons: short term (one year), medium term (up to 2030) and long term (up to 2050).

The main transition risks that Ence has identified fall into three categories: **current regulatory risks, market risks and future regulatory risks**:

Risks due to current regulation

This category includes the risk of price increases for emission allowances in the EU Emissions Trading Scheme (EU-ETS). Following the analysis, this risk has been considered potentially material for the company, and its description and the mitigation measures implemented by Ence to reduce its materiality are described below.

Increase in the price of emission allowances (EU ETS):

a. Directly, the increased costs resulting from the variation of allowance prices in the EU ETS could lead to increased costs for allowance acquisition. Installations included in emissions trading (Lucena, Navia and Pontevedra) have been assessed for the evaluation of this risk. The impact has been calculated taking into account estimates on the evolution of prices and internal estimates on the evolution of emissions from each installation, taking into account the company's decarbonisation plan. The mitigation strategy involves establishing emission reduction actions at the facilities which, together with the forecasts of the expected level of activity and their useful life, result in a non-material impact value.
b. Indirectly, the increased cost of emission allowances could lead to a higher demand for pomace from cement factories and other industries that need to reduce their emissions. This increased demand could lead to higher prices for pomace and less availability of pomace for consumption in power plants. The indirect impact has been estimated by means of an internal analysis using (a) the forecasts of the price of pomace and (b) the needs of the main pomace-dependent plants. As a result of the analysis, it has been identified as a potentially material risk, and in fact it has materialised in 2023 in the plants most dependent on this fuel (Enemansa and La Loma). However, the generation with pomace in the group is insignificant and the plants that use it have a remaining regulatory life until 2027 for two of them and 2031 for the third. In addition, the combined value of the La Loma and Enemansa facilities is €2.2M. It is also estimated that the planned mitigation measures (mainly focused on the substitution of pomace by other types of biomass in the supply to the plants in cases where it is technically feasible and the potential recognition by the Administration of the increase in costs in the operation remuneration (OR)) would reduce this risk to below the materiality threshold established.

Market risks

This category includes the risks of rising costs of raw materials (especially those that are electro-intensive or included in the Emissions Trading Scheme) and the potential for higher financing costs. These risks have been analysed and considered as non-material. The only risk in this category that has been identified after analysis as potentially material is increased competition for biomass supply, and the description of the risk and the planned mitigation measures are detailed below.

Increased competition for biomass supply: this risk is related to the industry's need to move towards low-emission technologies, which may lead to increased competition for biomass supply with other actors such as cement plants, biofuel producers, etc. This risk has been identified as potentially material. The foreseen mitigation strategy consists of a reinforcement of the supply network to increase biomass mobilisation capacity and the definition of a diversification strategy to be able to use different types of biomass that are not subject to so much market stress. This, together with the potential Government recognition of cost increase in operating remuneration (OR) would reduce the materiality level of this risk to below the established threshold.

Risks due to new regulation

This category includes the risks of higher logistics costs due to the inclusion of the maritime logistics industry in the Emissions Trading Scheme, potential regulatory changes (such as the tightening of sustainability criteria for biomass in the new Renewable Energy Directive). After analysing the potential impacts and the mitigation measures that Ence has in place, none of these risks are considered potentially relevant.

Climate opportunities

While aware of the risks, Ence understands that adapting to climate change, and especially the transition to a low-carbon economy, presents more opportunities than risks for the company. In this regard, Ence's growth strategy incorporates taking advantage of opportunities related to climate change by providing solutions to the global challenge of decarbonisation and energy transition:

Challenges to decarbonisation	Strategic opportunities for Ence	Business line
Electricity demand from renewable sources	The Renewable Energy business, through its biomass electricity generation plants, promotes the development of emission-free energies and is the **largest generator of electricity with this technology in Spain**. With this line of business, Ence contributes to decarbonising the national electricity mix. As proof of this, the renewable energy produced by Ence in 2023 avoided the emission of approximately 470,000 tCO_2e.	Ence Renovables – Magnon Green Energy – Energy plants
Decarbonisation of industries with low electrification potential	**ENCE Biogas**' commitment to transforming agricultural and livestock waste into renewable gas (biomethane) for injection into the grid will enable progress to be made in the decarbonisation of industries that are difficult to electrify, such as certain industrial activities or heavy and maritime transport. ENCE Biogas also reinforces the circular economy model in rural areas by solving the problem of managing this agricultural and livestock waste. The objective is to develop 20 biomethane plants over the next 5 years with a capacity of > 1,000 GWh per year. Currently there are already 6 projects in engineering with an expected entry into operation in 2026.	Ence Renovables – Biogás

Challenges to decarbonisation	Strategic opportunities for Ence	Business line
Low-emission industrial heat demand for industrial decarbonisation	Magnon Energy Services contributes to the decarbonisation of industry through the **sale of renewable industrial heat**. Through this subsidiary, Ence offers comprehensive solutions for the decarbonisation of its customers, developing biomass installations to replace fossil fuel boilers and thus enabling customers to reduce emissions and the costs associated with emission rights.	Ence Renovables – Magnon Energy Services
Emissions offsets and carbon sinks	In line with the strategy outlined by Europe, more and more companies are adopting carbon neutrality commitments that can only be achieved by offsetting those emissions that they have not been able to reduce. In this context, as Spain's leading private forest manager, Ence has an opportunity to develop carbon sinks and trade **offset credits**. In fact, Ence already has 48 projects registered with the Spanish Climate Change Office.	Forest management
Biogenic CO_2	In the context of decarbonisation, biogenic CO_2 has become a resource of great interest for the production of biofuels and other products that replace fossil-based materials, especially when combined with green H_2. In this sense, Ence is in a privileged position to take advantage of this opportunity, as both its biofactories and its independent power plants generate large amounts of biogenic CO_2 that could be used for the production of biofuels. In this regard, Ence is already in contact with several potential partners for the development of projects aimed at using this CO_2 in various applications.	Cellulose and Ence Renovables – Magnon Green Energy – Energy plants
Demand for low/neutral carbon cellulose products	Low or carbon neutral improved cellulose products contribute to the decarbonisation of customers' end products. Clear examples include **Naturcell,** with reduced-footprint bleached cellulose, or the carbon-neutral **Naturcell Zero** version.	Pulp
Production of moulded cellulose	Other cellulose business areas have also identified opportunities to substitute plastic materials with moulded cellulose. In this regard, in 2023 Ence has opened a research line for the production of moulded fibre products for the manufacture of containers and trays that will replace plastic products based on fossil fuels.	Pulp

Challenges to decarbonisation	Strategic opportunities for Ence	Business line
Bio-based plastic substitutes	Also in the cellulose business area, Ence is exploring different opportunities for the production of plastic substitute materials and other petrochemical derivatives, for example, based on lignin and Micro Cellulose Fibres (MCF). Throughout 2023, Ence worked on the engineering of the lignin extraction and purification project at the Navia biofactory and, in parallel, established contacts with various partners to analyse potential chemical and industrial applications of this material.	Pulp
Better adaptation of *E. globulus* to climatic conditions	Another opportunity arising from climate change is the better adaptation of the Eucalyptus species *E. globulus* to areas where today the temperature is too low for its development, which will increase the productivity of plantations in these areas and thus the availability of wood for biofactories.	Forest management
Biomass marketing	Through **Ence Biomass,** Ence makes biomass available to its customers to supply the growing demand for renewable heat, biofuels and other uses. Given that Ence is one of the largest managers of agroforestry biomass in Spain, its knowledge and capillarity in the territory for acquiring biomass is a competitive advantage.	Ence Renovables – Magnon Biomasa Trading

RISK MANAGEMENT

GRI 201-2

Ence manages the risks derived from climate change in its **corporate risk management system (RMS)**, so that they are assessed and incorporated into the risk forecasts presented to the Management Committee, the Audit Committee and the Board of Directors (see the Risk Management section). The identification of these risks and opportunities, as well as the definition of mitigation measures, is carried out within the framework of a specific climate risk project coordinated by the Sustainability Department, which Ence launched in 2020. In 2023, the Climate Risk Analysis has been updated and focused on the detailed assessment of the financial impacts of the main risks identified, their financial materiality in terms of their potential impact and the mitigation measures defined for each of them.

METRICS AND OBJECTIVES

In line with the TFCD recommendation, Ence develops **metrics and objectives** regarding climate change mitigation and the main climate risks identified for the company. Thus, the main set of metrics related to climate change mitigation is the carbon footprint analysis that Ence has been carrying out since 2018. In this context, the **carbon footprint** of the organisation and its products (cellulose and energy) is **analysed**, including scopes 1, 2 and 3 and following the ISO 14064, 14067 and *GHG Protocol* standards. In addition to its emissions, Ence also monitors **emission reduction targets**, the **carbon absorbed** in its forest assets and the **emissions avoided** throughout its value chain.

The emission inventories are verified by an independent auditor with a reasonable level of assurance (highest level of verification) and are available to all stakeholders on the company's website. Ence also works with emissions reduction targets and energy self-consumption targets at its independent plants.

"In 2023, Ence has developed a carbon footprint calculator for customers available on the Ence website"

In addition, in 2023, Ence has developed a **specific carbon footprint** calculator **for customers available on the website**. This way, Ence extends its commitment to sustainability to its customers by providing information on the carbon footprint associated with the volumes of cellulose delivered each year to each customer.

In addition to the carbon footprint, Ence sets improvement targets for other metrics related to climate risks and opportunities that are reviewed monthly by management. They include:

- ✓ KPIs and targets related to the analysis, development and implementation of specific emission reduction projects (for more details see *Decarbonisation of operations*).
- ✓ KPIs and targets related to the **forestry R&D strategy** (more details in the chapter on Innovate to create value).
- ✓ KPIs and targets for **water consumption reduction** in biofactories and power plants (more details in the chapter on Eco-Efficient Operations).
- ✓ KPIs and targets for **sales of special products** intended to replace plastic products (more details in the chapter on For customers).

TO CUSTOMERS

"Ence's business model, based on the circular economy and the use of natural and renewable resources, offers its customers ***value-added products with strong sustainability attributes*** *, allowing them to reduce their environmental footprint and thus being the* ***perfect partner in their journey towards sustainability excellence****."*

Key milestones in 2023

Development of a web-based **Carbon Footprint calculator** for cellulose customers.	Obtaining the AENOR **Carbon Neutrality certificate** for all Naturcell (Pontevedra) sales in 2023	Ence Advanced's speciality products already account for **22% of Group sales**	**Life Cycle Assessment and the drafting of the Environmental Product Declaration** of Encell ECF produced in Navia

Ence's business model, based on the circular economy and the replacement of fossil materials such as plastic with solutions based on natural and renewable resources such as cellulose, places the company in a privileged position to offer society sustainable products with added value.

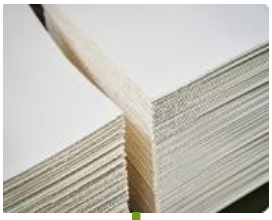
Ence is committed to continuous improvement to reinforce its strategy of developing new cellulose products with high added value and to provide its customers with new solutions for paper and non-paper applications with marked sustainability attributes. Ence's products thus enable its customers to reduce the environmental footprint of their end products. Thus, Ence not only seeks to achieve a differential positioning in the industry, but also to work with its customers to advance in the design and development of increasingly sustainable products.

Ence's cellulose, present in everyday life

GRI 2-6

The cellulose produced by Ence at its biofactories in Navia and Pontevedra is used by its customers in the manufacture of **numerous end products** ranging from tissue paper to speciality papers for packaging or decoration. In many cases, these products **replace less environmentally friendly and non-renewable materials such as plastics**. The main product categories for which Ence's cellulose is used are:

Paper cellulose produced by Ence



Packaging

Medicine boxes, perfumery items, shoes, etc.

Non-paper specialities

Construction materials or moulding powders, material used in the manufacture of electrical goods (switches, plugs, etc.), packaging, sanitary material (toilet seat covers, bathroom fittings), household goods, etc.

Tissue paper

Fine paper with a high softness and absorption capacity. This includes products for home use such as toilet paper, tissues or kitchen towels; and *"away from home"* products, such as napkins, paper towels and hand towels.
Most of the pulp produced in Pontevedra is destined for these applications.

Printing paper

Coated or uncoated for applications such as sheets of paper, magazine paper, books, brochures, etc.

Specialties

Flexible packaging

Packaging for food, cosmetics and medicines (sachets, flexible packages, etc.)

Paraffined papers

Non-stick and greaseproof paper. It is used in hamburger wrappers, cold meat wrappers, etc.

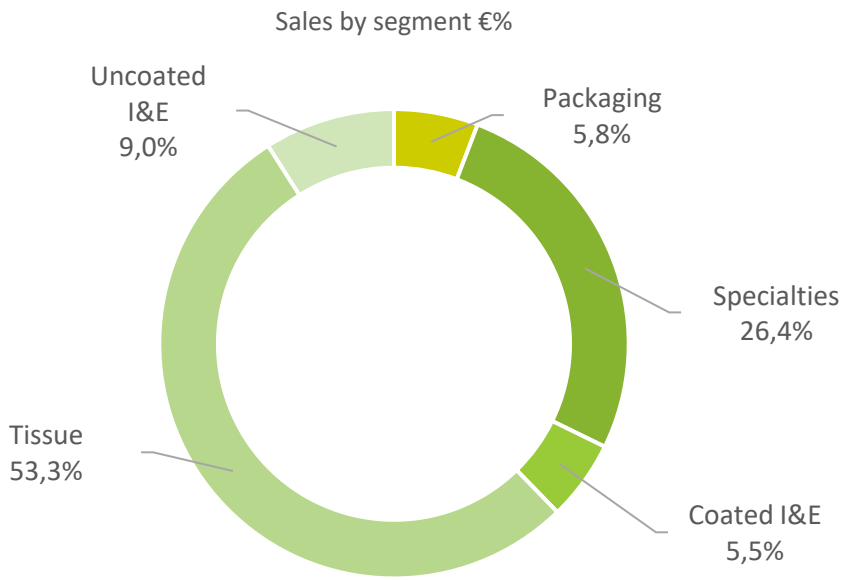
Décor papers

Manufacture of laminates (decorative flooring for floors, furniture, etc.)

Tags

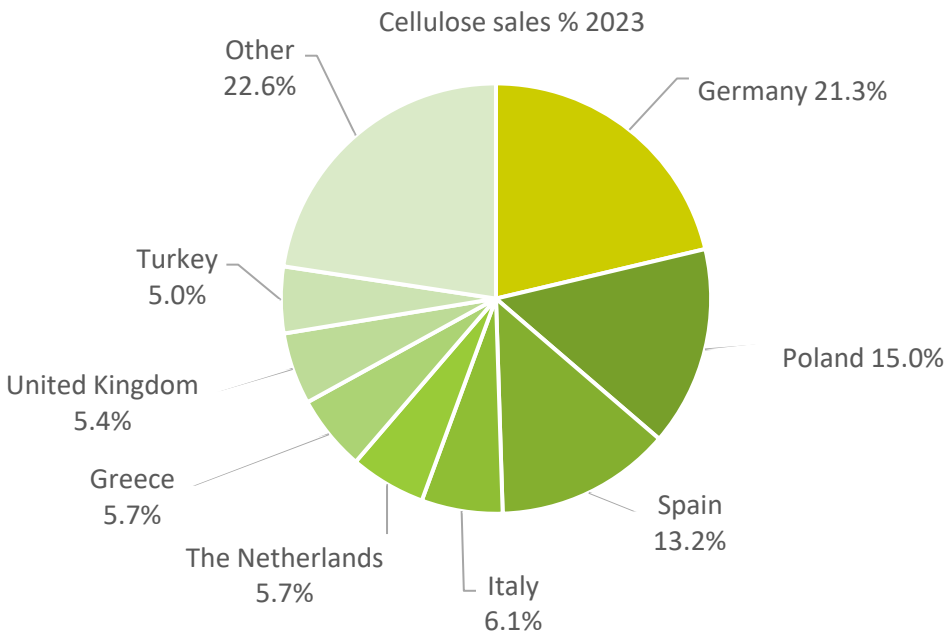
Adhesive paper for cans, bottles, food packaging, etc.

In 2023, most of Ence's sales were concentrated in the tissue paper segment. After that, the most representative categories are specialities, printing and writing (I&E) and packaging. The % of sales by turnover for each of the segments is shown below:



Focus on the most demanding markets

Ence focuses its sales on the most demanding European markets in terms of quality and environmental performance, such as Germany and the Scandinavian countries. This positioning has been achieved thanks to the high quality of the cellulose, produced mainly from eucalyptus trees from the Iberian Peninsula, environmental certifications that guarantee compliance with rigorous environmental standards, outstanding customer service and excellent logistical capacity.



Ence's geographical proximity to its customers provides it with a Competitive Advantage in terms of:

***Deliveries* and customer service**

Ence is able to deliver products in very **short lead times** compared to transatlantic competitors, improving customer service.

Proximity and just-in-time logistics

They enable Ence to maintain a **very broad and diversified customer** portfolio.

Reducing the risk of dependency

The geographical proximity of production to the customer increases capillarity and **reduces the risk of dependence on a small number of customers**.

Reducing the risk of customer supply

Ence's proximity to its customers enables it to reduce the **risks related to its supply chain**.

In 2023, Ence's total sales of cellulose products amounted to some 979 KtAD. The main destination markets for this production are in Europe, with Germany, Western Europe, Poland and the Iberian Peninsula being the geographical areas where most sales are concentrated.

Adding value with special products

Based on the vision of providing maximum added value through its products, Ence has defined a strategy that aims to decommoditise its product portfolio and offer customers a comprehensive value proposition, designing products together with them to meet their specific needs. In this strategy, **one of the pillars is the improvement of the sustainability features of products**, to help customers reduce the environmental footprint of their end products.

Thus, Ence develops, in close technical collaboration with its customers, a range of differentiated products: **adapted products** (modified so that their properties are perfectly adjusted to the customer's needs) and **special products** (higher added-value products with specific and differential paper properties in the market, which help customers to improve the quality of their final products and optimise their production processes).

The research, development and marketing strategy for special products was formally launched in 2019 with the **Ence Advanced** brand, which encompasses the special products developed by the company. The Ence Advanced product portfolio includes some references that are already fully marketed, highlighting Naturcell or Powercell, and others that are in earlier stages of development.

made to fit

ence ADVANCED

naturcell

naturcell Zero

Unbleached pulp with high strength and **lower environmental footprint** as no bleaching chemicals are used in its manufacture and the process requires less water and energy. Naturcell can be used in the manufacture of unbleached tissue paper and in packaging to **replace plastics**.

Ence also has **Naturcell Zero**, with **certified net-zero carbon guarantee**, which helps our customers reduce the carbon footprint of their products.

powercell

Unique product, which due to its strength characteristics can **replace long fibre** while maintaining the required mechanical properties. It offers a **cheaper alternative for the customer and is more efficient** in the use of natural resources, as less wood is required to produce the same amount of pulp. This product is used in specialties and tissue paper.

high white

High whiteness pulp redesigned for use in applications such as moulding powders, paper for the outer layers of carton packaging or high quality printing and writing papers.

high bulk

Ence Advanced's **new high-density product** is optimal for adding body to end products and is ideal for use in a variety of specialities, such as tissue, printing paper, thermal or labels.

closecell

Low porosity paste with optimised properties for application in barrier papers or labels, as well as for the **replacement of plastic materials in flexible packaging** and food wrapping.

porocell

Product specifically designed to **increase porosity**, making it ideal for use in applications such as filter papers.

decocell

Decocell, thanks to its exceptionally **low wet expansion**, is particularly suitable for the manufacture of several materials such as décor paper or food trays.

softcell

A special cellulose pulp that makes tissue paper **softer** without increasing the number of plies, which is **more efficient and economical** for the customer.

photocell

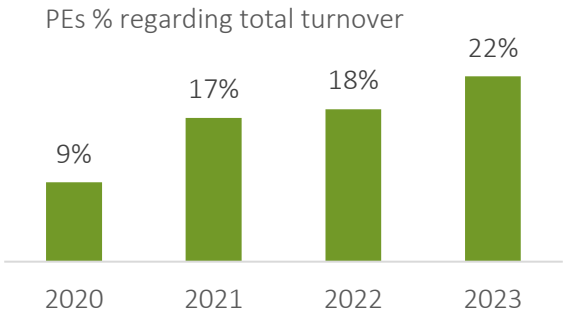
Pulp product specially designed to guarantee excellent performance on **photographic papers**.

opacell

Opacell is designed to give **high opacity** to the paper without increasing the grammage, which is **better value for customers and reduces material consumption**.

In terms of sustainability features, Naturcell's products stand out for their reduced carbon footprint and their emission-neutral Natrucell Zero version, which also has the capacity to replace plastic materials, just like Powercell and Closecell.

Since the launch of Ence Advanced, special products have experienced strong growth and in 2023, they will account for 22% of the Group's total sales. This growth consolidates Ence's commitment to focus its commercial strategy on products with greater added value and a smaller environmental footprint.



* Previous years' data have been recalculated to include the distribution based on turnover.

Certified environmental performance of products

Ence, in addition to focusing its efforts on the creation of special products with Ence, in addition to focusing its efforts on the creation of special products with improved sustainable characteristics, assesses the environmental aspects of its products and makes the results of these assessments available to all its stakeholders.

In 2020 Ence, a pioneer in its industry, analysed for the first time the environmental profile of its products with **Environmental Product Declarations (EPD)**, specifically the international EPD® system. EPDs are voluntary statements, verified and registered by independent bodies, which aim to provide transparent and comparable information on the environmental impact of products. The EPD® system is a programme for environmental declarations based on the ISO 14025 standard, in which the environmental impacts of the product are identified and reported on the basis of a **Life Cycle Assessment (LCA).** In this LCA, the environmental impacts of the product throughout its life cycle are analysed in 12 categories, including resource depletion, fossil fuel use, impacts on ecosystems or water use.

In 2022, Ence updated the WTPs of the following products registered for the Pontevedra biofactory, incorporating the latest available data:

- ✓ Naturcell – unbleached pulp: https://www.environdec.com/library/epd6638
- ✓ Encell Totally Chlorine Free – standard cellulose pulp Pontevedra: https://www.environdec.com/library/epd6639

In 2023, Ence worked on the life cycle analysis and the drafting of the EPD for Encell ECF, the standard cellulose produced at the Navia biofactory. This new WTP is also available on Environdec's website:

- ✓ Encell Elemental Chlorine Free – standard cellulose pulp Navia: https://www.environdec.com/library/epd7965

In addition to the EPDs, Ence obtained the AENOR **Carbon Neutrality certificate** for all 2023 Pontevedra sales of its Naturcell product (see section *Low-carbon products*).

On the other hand, it should be noted that during 2023, the two cellulose mills are adapting their systems for the implementation of the Food Safety Management System with the aim of being **certified according to ISO 22000 for food safety** in the first months of 2024.

Top global sustainability

In addition to transparently publishing the environmental characteristics of its products, Ence also voluntarily submits to sustainability performance assessments requested by customers. In this regard, Ence participates in **Ecovadis**, one of the leading platforms in the evaluation of ESG aspects in the supply chain, which evaluates more than 100,000 companies worldwide. Ecovadis assesses the performance of companies in four areas: environment, labour and human rights, ethics and sustainable procurement by means of a questionnaire adapted to the industry (in the case of Ence, it contains issues specific to the paper industry, such as sustainable forest management and the consumption of certified wood). Once the answers have been analysed, Ecovadis provides a report with an overall ESG score and scores for each of the four areas of assessment.

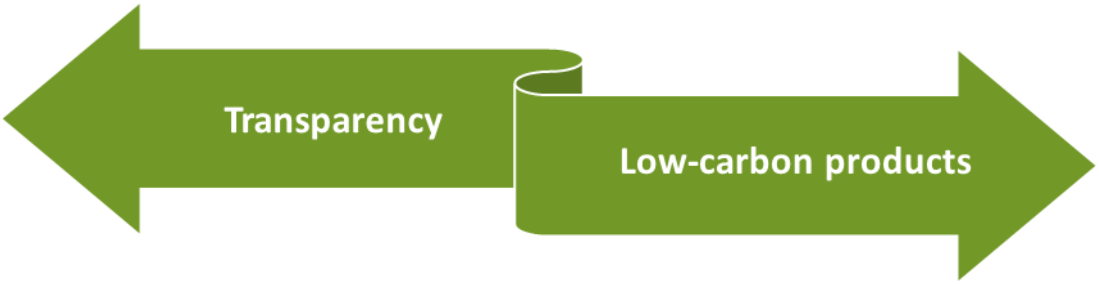
In 2023, Ence was awarded the Ecovadis platinum medal: the highest possible rating. Ence's score places it at the global forefront in terms of sustainability, placing the company in the 99th percentile in the industry.

Involved in the decarbonisation of customers

Ence extends its commitment to decarbonisation to its customers by helping them to achieve their carbon emission reduction targets.

In the **cellulose business**, Ence has been working for years on the development of low-carbon products, which, together with transparency, are the main pillars to drive the decarbonisation of its customers:

Decarbonisation axes – Cellulose and Paper Customers



- ✓ Product footprint calculation and verification
- ✓ Product footprint web calculator
- ✓ Naturcell
- ✓ Naturcell Zero

Transparency

Since 2018, Ence has been calculating the organisation's carbon footprint in accordance with the UNE EN ISO 14064-1:2019 standard as well as the carbon footprint of its products in accordance with the UNE EN ISO 14067:2019 standard. These calculations are verified annually by an independent third party with the highest level of (reasonable) assurance.

"In 2023, Ence has developed a carbon footprint calculator for customers available on the Ence website"

In addition, in 2023, Ence has taken another step forward in its commitment to transparency. To this end, it **has developed a carbon footprint calculator for its cellulose customers available on the website**. Thanks to this tool, customers can calculate the specific carbon footprint associated with the volumes of cellulose delivered each year. This tool is key for Ence's customers to know what their scope 3 emissions are derived from the production and logistics of cellulose from Ence's facilities to its delivery.

Low-carbon products

Increasingly, there is a growing market demand for products with a reduced or neutral carbon footprint to enable Ence's customers to achieve their reduction targets. Aware of this, Ence has been developing a portfolio of improved products, including **Naturcell,** with bleached cellulose with a reduced footprint, and the carbon neutral version **Naturcell Zero**.

"In 2023, AENOR endorsed the carbon neutrality of Naturcell cellulose by obtaining the Neutrality certificate for all 2022 sales of Naturcell de Pontevedra"

In **other businesses**, Ence also provides its customers with products that enable them to advance their decarbonisation:

- ✓ By **generating electricity from biomass**, Ence contributes to the decarbonisation of the national electricity mix.
- ✓ **ENCE Biogas**' commitment to generating biogas from agricultural and livestock waste enables it to make progress in the decarbonisation of industries that cannot be electrified.
- ✓ The **sale of renewable industrial heat**, with the installation of biomass boilers to replace fossil fuel boilers, also reduces the carbon footprint of Ence's customers while reducing the bill for costs linked to emission rights.
- ✓ The development of **carbon sinks and trading of offset credits** facilitates the achievement of neutrality for those emissions that can no longer be reduced because the minimum remaining emission level has been reached.

Client management

Another fundamental component of Ence's business strategy is to establish trusting, long-term relationships with its customers, based on collaboration and quality of service. To achieve this goal, in addition to ensuring exceptional product quality and impeccable customer service, Ence considers it essential to maintain a proactive and ongoing dialogue with its customers to understand their expectations, concerns and needs. To this end, Ence maintains various channels of communication with its pulp customers:

- ✓ **Reciprocal visits**: on a regular basis, Ence teams make visits to its customers' facilities in order to obtain first-hand information on their production processes, their experience with Ence products and address any technical aspects on site. Reciprocally, Ence invites its customers to visit its production centres, nurseries and logging areas, allowing customers to learn about the entire production cycle, from sustainable forest management to cellulose manufacturing. During these visits, Ence presents its customers with the latest innovations in product development and shares the company's main achievements.

"In 2023, Ence successfully passed customer audits that included ESG aspects"

In 2023, Ence has undergone several audits by its supplier approval customers. These audits have been successfully completed and topics reviewed included the European Deforestation Regulation, Due Diligence and ESG criteria.

- ✓ **Opinion questionnaires**: every year, Ence launches opinion questionnaires for its customers to find out their perception of the most relevant aspects of their commercial

relationship, such as service, delivery time, product quality, certificates and documentation, attention from the sales department and technical service. The responses are analysed within the framework of the Quality System and are used to set improvement objectives for customer satisfaction individually and globally. In 2023, the data for 2022 was analysed and the average score was the same as the previous two years, the highest in the last eleven years. The aspects most valued by Ence customers include the ease of contacting the right person, the level of attention from the sales team and their responsiveness. In the latest questionnaire, the ratings in the Quality, Delivery and Sales sections have been improved. On the other hand, the most highly rated sections were Certificates and Documentation and Sales.

In addition to these channels, Ence's commercial team, and its technical department, maintains a fluid relationship with its customers and responds promptly to any requests for information they may require by means of questionnaires, forms, etc.

Complaints and claims management

Ence has a system for registering and monitoring all complaints and claims to ensure that all necessary measures are put in place to resolve any complaint or claim in a timely manner, thus ensuring the consolidation of dialogue with its customers.

The Registration and Monitoring System serves as a basis for managing and responding to these situations and is regulated by the internal Customer Non-conformities Procedure for Quality. In this system, in addition to formal complaints, complaints and any comments related to possible customer dissatisfaction with the service or product supplied are also recorded. To differentiate between them, in cases where the incident affects compliance with guarantees or other aspects such as accidents caused by the product or service, additional costs, returns, etc., it is treated as a claim, while in other cases it is considered a complaint or comment.

Through this system, a total of 9 complaints and 8 claims were registered in 2023 on a total of more than 8,500 pulp sales transactions.

In order to manage and resolve the incidents received, Ence draws up a follow-up report known as the 8D Report. This report provides a detailed description of the problem, details the immediate containment actions implemented, performs a root cause analysis and defines corrective and preventive actions to avoid recurrence of the problem. In addition, the report includes a list of the verification actions that Ence carries out to ensure that corrective and preventive actions have been effectively implemented.

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TO COMMUNITIES

"Ence demonstrates a clear commitment to the communities in which it operates, designing relationship plans to bring the company's activity closer to all its stakeholders and committing to ***community development through positive social impact programmes****."*

Key milestones in 2023

More than 1,000 stakeholder **visits** to the plants	Launch of the **Ence Pontevedra Social Plan 2023**	>€3.2M dedicated to **social action projects** in communities

One of the pillars of Ence's sustainability strategy is to contribute to the development of society, with a special focus on the communities where it operates. For this reason, relations with local communities are a priority line of action in which it works on two levels: on the one hand, Ence seeks to create a positive impact on the community by creating wealth and employment in the surrounding area, and on the other, the company wants to listen and respond proactively to the concerns and expectations of the different stakeholders with whom it has a relationship.

Creating value in the environment

GRI 203-2, GRI 413-1

Ence's activity in its three business lines (forestry, pulp and energy) is an important driver of job creation and value for the communities in the areas where it operates, as the company is clearly committed to hiring local employees and suppliers and to local supply. Furthermore, thanks to its forestry extension policies and the establishment of long-term relationships with suppliers and industrial partners, Ence stimulates and contributes to preventing the deindustrialisation and depopulation of the rural environment.

Ence is also an important centre for the professional development of young people in the regions in which it operates, as it facilitates their incorporation into work through the Talent Programme and agreements with various local councils, in which it undertakes to prioritise the recruitment of local staff.

In 2023, Ence worked with more than 6,000 suppliers, 95% of which were local, and payments made to suppliers amounted to some €875M. Local suppliers accounted for 91% of the expenditure.

It is also estimated that over 19,000 families depend directly and indirectly on Ence's activity as a whole, including its employees at the different centres, the jobs it generates through its industrial, logistics, and transport contracts, and the jobs it generates in the forestry and agricultural industries.

Relationship with the communities

The local communities around Ence's facilities are the stakeholders closest to the company and those most likely to be affected by its activity. This is why Ence establishes relationship plans with them based on closeness, transparency and commitment, in addition to guaranteeing

respectful coexistence, avoiding any type of nuisance or negative impact derived from its activities.

In addition to generating value for the communities through its own activity, Ence wishes to contribute proactively to socio-economic development and to improving the environmental quality of its neighbouring communities.

To achieve these two objectives, Ence maintains channels of dialogue with the community to learn first-hand about their expectations of the company and, on the other, it establishes collaboration agreements with local councils and other groups to actively promote the improvement of the quality of life in the communities.

Dialogue and Transparency

Ence's community relations plans are based on ongoing dialogue and transparency towards its stakeholders. Thus, the company keeps different communication channels open with them, from institutional meetings with administrations, to meetings with social entities, neighbourhood associations, and other representatives of society. At these meetings, Ence transparently conveys its commitments to improving the environmental performance of its facilities and the development of the community, and takes note of the concerns and suggestions for improvement that these groups share with it. In this context, Ence also presents its projects and plans for the future, in order to take into account the perspective of its stakeholders in its implementation.

Thus, in 2023, Ence has kept holding meetings with groups around As Pontes, business associations and neighbours, to present the project that the company is studying to install in the area (a plant of recovered fibre and biomaterials) and to gather their opinions on the project.

In this area, throughout 2023, meetings also continued to be **held with stakeholders** in the communities neighbouring the existing plants, such as Armental, Coaña, San Juan del Puerto, Puertollano, Navia and Pontevedra. In most of these communities, meetings are also held with local councils to monitor the projects developed within the framework of the agreements signed with the administrations.

Another of the keys to Ence's community relations plans is to promote awareness of its activity among its stakeholders, which is why the company organises **visits to its operations centres** with a special focus on students. Throughout this year, Ence has increased the number of visits, exceeding 1,000 visits at its centres in Navia, Pontevedra, Huelva and Puertollano.

In addition to these direct dialogue initiatives, Ence maintains a proactive relationship with the local, regional and Spanish **media** to communicate relevant information on the company's activity and keep all its stakeholders informed.

In addition to these proactive dialogue exercises, Ence also maintains permanently open communication channels for its stakeholders, through e-mails and contact telephone numbers at its facilities. Through these channels, anyone can contact the company and, where appropriate, report any incidents or problems, which Ence manages and resolves as soon as possible. In fact, the number of complaints received by neighbours is one of the KPIs that the company closely monitors and for which improvement objectives are set. In 2023, Ence received a total of 13 complaints, which it has worked actively to resolve, with a high degree of involvement in reducing and improving them. This is below the figure recorded in 2022 and also below the target set for this year.

A Committed Neighbour

Ence also promotes the development of the communities where it operates by supporting social, environmental and cultural initiatives.

Thus, Ence has signed and annually renews several collaboration agreements with local councils, such as Navia and San Juan del Puerto, each with an annual budget of €100,000. Within the framework of these agreements, over 80 cultural, social, sporting and environmental initiatives have been developed, with over 57,000 beneficiaries.

Ence Pontevedra Social Plan

One of the main exponents of Ence's commitment to society is the Pontevedra Social Plan. The Plan is part of the “Environmental Pact” signed by Ence with the Department of the Environment of the Galicia Regional Government in 2016, which includes a series of investments and projects associated with environmental improvements, which will contribute to the economic development of Pontevedra and Galicia, as well as the sustainability of the activity carried out by Ence in its Pontevedra operations centre (for more information, see Note 31.1 of the Group’s Consolidated Annual Accounts).

The first edition of the Plan was launched in 2017, constituting one of the largest social initiatives of a private company in Spain. The Plan consists of allocating assistance to finance social, cultural, environmental, sports or economic and employment promotion projects, among others. The Pontevedra Social Plan has an annual budget of €3M and is structured into six action areas:

Since its launch, a total of 1,110 projects have benefited from Ence Pontevedra's Social Plan. In the last edition, more than 300 projects were promoted.

Project applications and awards are managed with the utmost accuracy and transparency in a seven-phase process:

A communication campaign has also been launched to publicise the Social Plan and Ence's contribution to Pontevedra's society. As part of this campaign, news reports and advertising have been published in print and digital media, radio and social media. A new website has also been created specifically for the Social Plan (www.plansocialence.es). The list of beneficiary organisations/individuals can be consulted on this website and the projects developed can be found on the blog.

Some of the beneficiary projects of the 2023 call of the Ence Pontevedra Social Plan are the following:

Emprégatenomar: Framed within the area of entrepreneurship and innovation, this project of the Mar Seguro Association consisted of the creation of a job portal focused on inshore fishing.

Given the lack of professionals in the industry, the aim of the project was to create a channel that would bring together shipowners and inshore fishing professionals. The project's beneficiary association wanted to promote this profession as something attractive for young people in order to promote a generational replacement, which was non-existent until the creation of the project, and to fight against the ageing of the professionals dedicated to this type of work.

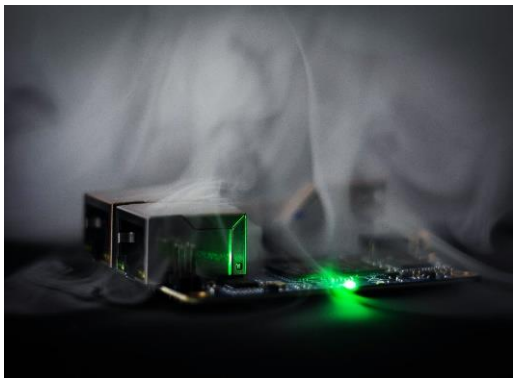
Sereas, the women of the sea of the Pontevedra estuary: Framed within the area of education and culture, it was a project promoted by FUNPROMAR (Fundación Clúster de Conservación de Productos del Mar). The Foundation's motivation with this project was to vindicate the role of women in the Galician canning industry, through a photographic report. From shellfish gatherers to women working in factories, FUMPROMAR wanted to show that women were key to the development of a industry that was crucial to the Galician economy and to show how their work had changed over the years, due to the effects of climate change.

E-Kletta: Framed within the area of education and culture, E-Kletta is a company run by two young people from Pontevedra who applied for help from the Ence Pontevedra 2023 Social Plan to organise eco-routes on ebikes. The idea was to combine sustainable transport with environmental protection, so they organised routes on electric bicycles through some of the most representative natural sites in the Pontevedra region to promote green mobility and the importance of environmental conservation.

Environmental Seashore: As part of the area of recovery and care for the environment, the Seashore Ambiental Association presented a project to raise awareness about life in the marine ecosystem. Carolina Fernández, president of the Association, saw the Social Plan as an opportunity to put into practice one of the ideas that had been in her mind for a long time. This way, it set up training courses aimed at raising awareness of cetaceans and their threats. In addition, they also provided

training on waste management, all with the aim of creating synergies between professionals, citizens and administrations, which serve to work for the conservation of the marine environment.

Teaching to care for the brain: This initiative of AFAPO (Association of Relatives of Alzheimer's Patients and other Dementias of Pontevedra) is part of the fight against social exclusion and aims to prevent neurological degenerative diseases. The Association held workshops in the municipalities of Pontevedra, Marín and Poio, aimed at people over 60 years of age who did not yet suffer from any neurological disease. Cognitive stimulation activities and other activities related to bringing new technologies closer to the elderly were carried out, thus promoting active ageing and preventing the onset of these diseases.



Sitrav ATS: This company from Marin presented a project that was framed in the area of entrepreneurship and innovation, as it consisted of an electronic "nose" that would help prevent fires. This device is capable of detecting the smell of a fire that has not yet spread, so detection would be much quicker, as it would alert the emergency services as soon as it "smells" the fire. The company was able to test its idea in the 2023 fire prevention campaign and is now further developing its idea.

Girls also play football: Framed in the area of grassroots sport, the initiative of the historic club from Pontevedra Salgueiriños CF was aimed at the creation of several women's football teams within the entity. There was no women's football school in the city and girls had to travel long distances to play football. With the help of the Social Plan, the entity was able to create a women's section made up of two teams, one fry and one cadet, both competing in the Galician League and in the coming years they want to continue with this rhythm to be able to create a women's football school.

Corporate volunteering and outreach

In addition to the initiatives developed within the framework of these agreements, Ence also promotes **corporate volunteering actions** for social and environmental purposes in the communities where it operates, such as fundraising campaigns for charitable purposes, in collaboration with social organisations. Of particular note were the actions undertaken to help those affected by the earthquake that struck Turkey in March 2023, through the donation of food, clothing and other basic products, as well as those that took place as part of the Christmas campaign, such as "Encendamos la Navidad" (Let's Light Up Christmas), to collect toys for families with few resources, the donation of toys to the Red Cross in Huelva and the area around Navia, or the campaign "Reyes Magos de verdad" (Real Three Wise Men) in the Madrid offices.

At Navia, and within the environmental section, a group of Ence employees took part in the planting of indigenous trees in the surroundings of the Veiga de Arenas beach, in an awareness-raising action in which all the schools in the municipality took part. Ence employees were thus able to advise and contribute to the recovery of a natural area of great value for the local residents.

In addition to these actions, Ence also collaborates in **dissemination and awareness-raising activities focused on sustainability aspects.** Thus, in 2023 it collaborated in the International Conference on Renewable Energies in Spain (SPIREC); in a session organised by the Spanish Biomass Association (AVEBIOM); in the conference "Biomass, strategic in the energy transition and decarbonisation", organised by the Association of Renewable Energy Companies (APPA) at the International Energy and Environment Trade Fair GENERA; at the "Energy Industry" conference organised by the financial newspaper Expansión; at the Science Fair at the Galileo Galilei Secondary School in Navia; and at Tissue World Düsseldorf, the world's largest tissue paper industry conference. Among others, the company has also participated in the forum "Sustainability Plans: business leadership for a sustainable transition", organised by Expansión; in the Enerclub conferences organised by the Spanish Energy Club, to discuss the "Design of the Electricity Market"; as well as in the conference "What is your plan for the decarbonisation of industry?", organised by the Business Circle of Galicia and Iberdrola; and in the conference "European Plan for industry: Decarbonisation and Energy Saving", organised by the Confederación de Empresarios de Galicia (CEG) in Santiago de Compostela.

The company has also joined the Galician Green Hydrogen Industrial Alliance as a driving force, an initiative that already includes more than 700 companies, as well as institutions and social agents that, together, are committed to making Galicia an international benchmark in the use of this renewable energy source.

Ence has also joined the Alianza Galega Polo Clima, an initiative promoted by the Xunta de Galicia that seeks to contribute to the advancement of environmental improvement and curb the effects of climate change in the Galician community.

Institutional Relations

Ence also maintains a close and collaborative relationship with local, regional, national and European institutions in the company's three areas of activity.

Institutional relations in the forestry sector

In 2023, Ence continued working towards engaging in an open and constructive dialogue with the main stakeholders in the forestry world, such as industrial associations from all links in the forestry value chain, academic experts, administrations, professional associations and other non-profit entities on the growing value that forest stands contribute to society directly and through the processing of products by the forestry industry. For this reason, in November 2023, Ence presented **Ence Terra**, a new vision of its forestry activity, in which it emphasises support for forest owners and collaborating companies through specific services created for this purpose. A vision from which it aims to make society better aware of the value of eucalyptus and the industry, as well as to develop more research and development initiatives that bring greater productivity and sustainability to the forests. This is expected to promote the future of forestry together with the whole industry and in the long term to solve problems such as the structural problems of smallholdings and rural abandonment, promoting sustainable and efficient active forest management to create more value for society. At a Spanish level, through ASPAPEL and APPA, industry associations of which Ence is a member, the company has contributed through allegations to the drafting of the Spanish Forestry Strategy and the Spanish Forestry Plan, currently underway. At European level, through CEPI and EPPIS, industrial associations for the cellulose and paper industry, Ence has participated in specific groups in the normative and regulatory debate with institutions such as the EU on new directives(*EUTR, Carbon Farming, Forest Monitoring, Nature Restoration*).

In the field of the **Galician forestry industry**, Ence works passionately with owners' associations, associations of forestry and forestry service companies, auctioneers and sawmills associations and forestry industry associations to advance in the consolidation of the wood value chain in Galicia, improving the value generation capacity of each of its links.

Ence is a member of the Galician Wood and Design Cluster, the Forest-Industry Association and the Provincial Association of Businessmen of the 1st Transformation of Wood in Lugo, among others, through which it participates in the Galician Forestry Council. From these associations, Ence collaborates with the rest of the industry for its development through numerous meetings, working committees, joint arguments, communication actions and other projects.

Also in Galicia, Ence is a member of the Monitoring Committee of the Forest Industry Promotion Agenda promoted by XERA (Galician Forest Industry Agency), in the original definition of which it also participated at the time. XERA is focused on supporting the Galician forestry industry through competitiveness and innovation, and in mid-2022, it has become part of the Regional Ministry of Rural Affairs.

In the **Asturian forestry industry**, Ence works to strengthen the industry and increase the value it generates, maintaining ongoing and systematic contact with the various forestry associations of owners, service companies, auctioneers and industry, especially within the FADE (Asturian Federation of Entrepreneurs) Forestry Board, of which it is a member and the activity of which it currently coordinates. This Board is also part of the Asturias Forestry Council. Since 2020, Ence, together with the rest of the industry , has been working to make valuable contributions to the revision of the Asturias Forestry Plan currently being processed, which is expected to be approved in 2024. Pending this approval, given the urgent need for alternatives for owners in certain plantations of *E. globulus* with development problems for several reasons, Ence has collaborated with the FADE Board and the Administration to enable the alternative of E. nitens, whose authorisation until now 2022 had been systematically denied due to technical criteria that have now been superseded.

Ence has also had an noteworthy participation in the Tineo (Asturias) "Asturforesta" Forestry Fair, one of the forestry fairs of reference, through a stand where it has been able to share with visitors the activity and some of the products developed by Ence, its improved plant, presentations, documentation of interest, and its new free advice service for owners, becoming, as at Galiforest'22, one of the most popular meeting points for visitors to the fair.

In 2023, concern about the advance of forest abandonment and lack of management, even in eucalyptus plantations in some areas, has led Ence to develop actions to share with forest owners the best way to care for their plantation and obtain value in a sustainable way and to promote joint work between owners through management grouping figures. In this context, several workshops have been held with landowners and associations, visits to forests managed by Ence and the aforementioned forestry advisory service implemented in 2022, extending its scope to the entire territory of Galicia and Asturias, and consequently the effort dedicated to it.

Ence is committed to the strengthening and development of the Natural Capital, not only of its own stands, but also of the rural environment in which it operates. As a result, several meetings have been held with companies, landowners' associations, neighbourhood forest boards and other stakeholders to promote the development of ecosystem services, both in the field of $_{CO2}$ absorption for future compensation.

Ence is also committed to the technological development of the industry and having been, until December, vice-chairman of the Board of Trustees of CETEMAS (Asturias Forestry and Wood Technology Centre), one of the leading forestry technology centres at national level. Also in 2023, a collaboration was maintained between the Asturian Institute for Risk Prevention, with

Ence and the associations of the Asturian wood value chain involved in forestry operations (ASMADERA and ASYMAS), in order to improve the safety indices of the industry through shared tools and joint improvement actions.

In addition, through CEASA, the group's Asturian subsidiary, Ence is participating in an Innovation Operating Group to improve eucalyptus fertilisation and the circularity of the cellulose process by analysing the possible use of externalities of the process to improve the nutrient situation in the soil.

In 2023, Ence Biogas became a member of the Spanish Gas Association (SEDIGAS), an association that brings together, among others, companies for the development of renewable gases to promote their role as a lever for decarbonisation.

Institutional relations in the energy and paper sectors

In line with the company's commitment and commitment to the decarbonisation of industry and energy transition, Ence has joined the Galician Green Hydrogen Industrial Alliance as a driving force, an initiative that already includes more than 700 companies, as well as institutions and social agents that, together, are committed to making Galicia an international benchmark in the use of this renewable energy source.

Ence continues to participate in high-level forums and events in energy and industry, such as the National Renewable Energy Congress, which this year celebrated its 7th edition, and the Energy and Environment Fair (GENERA). This year, we have participated for the first time in Expobiomasa and in the International Bioenergy Congress and specifically in the Biogas Exhibition.

In addition, Ence maintains its chairmanship of the biomass area in APPA (Association of Renewable Energy Companies). The company has received the 'Fomenta la Bioenergía 2023' award from the Spanish Association of Biomass Energy Valorisation (AVEBIOM), in recognition of its firm commitment to bioenergy in Spain for more than 20 years. Ence has recently joined this association.

In the pulp industry, Ence belongs to the Spanish Association of Pulp, Paper and Cardboard Manufacturers (ASPAPEL). As a member of ASPAPEL, Ence also participates in various committees of The Confederation of European Paper Industries (CEPI), such as the forestry committee, the forestry policy committee, the forestry certification committee, and the European Union’s taxonomy for sustainable activities working group.

On the occasion of the Spanish presidency of the EU Council, Ence participated in various working groups organised by the Energy Club. These meetings served to draw up a roadmap for the energy industry, which was subsequently submitted to the Ministry of Ecological Transition and Demographic Challenge.

Ence also collaborates annually with various universities in the communities where it operates and actively organises conferences in educational centres and collaborates in inclusive employment programmes

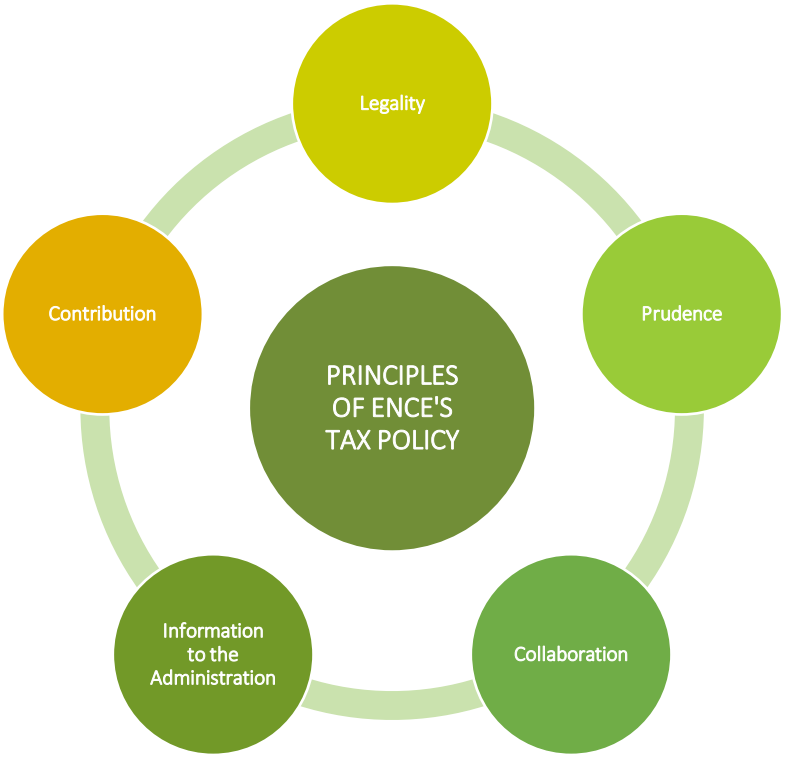
Ence's tax policy

GRI 207-1, GRI 207-2, GRI 207-3, GRI 207-4

The tax strategy of Ence mainly consists of ensuring compliance with tax regulations applicable in all the territories in which it operates in line with the activity carried out in each one of them. This key objective of respect for and compliance with tax regulations is appropriately combined with ensuring public interests and generating value in a sustained manner over time for shareholders, avoiding tax risks and inefficiencies in the execution of business decisions.

Tax governance

Ence's **Tax Policy** reflects the company's commitment to good tax practices through the following principles:



This Policy also establishes the **good tax practices** that Ence must apply to implement the principles of action in its day-to-day business. Good practices fall into three broad areas:

- ✓ Tax risk prevention.
- ✓ Relations with Tax Authorities.
- ✓ Information for the Board of Directors.

The commitments undertaken by Ence to prevent tax risk include the following:

- ✓ Encouraging practices aimed at preventing and reducing significant tax risks;
- ✓ Reducing conflicts arising from the interpretation of the applicable regulations through the use of instruments established for this purpose by the tax systems;
- ✓ Avoid the use of opaque structures, with the aim of reducing their tax burden;
- ✓ Not establishing or purchasing companies residing in tax havens or countries included on the list of non-cooperative jurisdictions of the European Union, for the purpose of circumventing tax obligations;
- ✓ Ensuring compliance with tax obligations in time and form, presenting its taxes appropriately, with all pertinent information and in accordance with the applicable regulations, and paying in due form and time all taxes enforceable in accordance with applicable laws;
- ✓ Undertaking for their normal market value, transactions between affiliated entities and complying with the obligations of documentation on transfer prices established by tax legislation;
- ✓ Providing customers and suppliers in a transparent, clear and responsible manner with relevant information for the fulfilment of their tax obligations; AND
- ✓ Making available to potential interested parties the necessary reporting channels allowing communication of conduct which may involve any irregularity or any action contrary to the law or the governance and sustainability System being committed.

Following the principle of collaboration, Ence maintains a cooperative relationship with the various Tax Authorities with which it interacts as a result of its activity, based on the principles of transparency, good faith cooperation and mutual trust.

Regarding governance bodies in charge of supervising, Ence's Board of Directors is empowered to formulate the Company's tax strategy, determine its tax risk control and management policy and approve its Corporate Policies. In this regard, the **Group's Corporate Tax Policy was approved in 2023**, applicable to all the companies in which Ence has control.

"In 2023, the Group's tax policy was approved, applicable to all companies in which Ence has control."

By delegation of the Board of Directors, the Audit Committee supervises the effectiveness of the Company's internal control and Ence's internal control and tax risk management systems. This Committee reports to the Board on the tax policies and criteria applied by the Company during the year and, in particular, on the degree of compliance with the Corporate Tax Policy. Likewise, in the case of transactions or matters that must be submitted to the Board for approval, it reports on their tax consequences when they are a relevant factor.

The General Financial Management, through the Corporate Tax Team, is responsible for ensuring compliance with tax regulations and the correct application of the general principles and good practices set out in the company's tax policy, as well as for identifying and managing the possible associated risks. It is supported in this task by a team of external tax advisors of

recognised prestige. Periodically, and at least twice a year, the Corporate Tax Team reports to Ence's Audit Committee on the group's performance in tax matters.

Tax governance compliance

Supervision of tax governance compliance relies on the two lines of defence established in Ence through the Compliance and Internal Audit areas, which review the tax risk control systems, including the internal control system for financial reporting.

Update on regulatory changes to mitigate tax risks

Tax regulations, as well as their interpretation, are constantly changing and new tax risks may arise at any time, so it is important that they are updated and communicated to the organisation in order to minimise the risk. To this end, the tax department periodically receives information bulletins with the latest tax news from both the tax authorities and law firms specialising in tax matters, and attends training courses on these developments. In addition, all relevant regulatory developments are communicated by the tax advisory team to the finance and tax team and in summary form to the Audit Committee at its regular meetings.

Mechanisms for reporting potential irregularities

Ence is committed to a culture of ethics and compliance, and one of its essential pillars is responsibility and transparency. For this reason, Ence provides an internal reporting channel through which anyone can report irregular or unlawful conduct occurring within the framework of the company's activities that is contrary to its Code of Conduct or the legal framework in force.

The person in charge of the internal information system manages the communications received, and ensures:

- ✓ Confidentiality of information.
- ✓ Anonymity of persons who do not wish to identify themselves.
- ✓ Absence of retaliation against the person communicating in good faith.
- ✓ Respect for the rights of all parties involved.

Responsible Taxation

Ence is not present in any territory qualified as a tax haven—according to the criteria of the Spanish Tax Agency (list RD 1080/91, updated in 2013, and RD 116/2003), the EU black/grey list of tax havens (February 2020), and the Financial Secrecy Index (FSI) (2015)—nor in EU countries known to engage in harmful practices (2018).

Moreover, Ence does not operate in territories considered by the CSR Observatory to be low-tax territories and does not use opaque or artificial structures in order to reduce the tax burden corresponding to its activity.

Ence has shareholdings in Uruguay linked to the Punta Pereira project, which was sold in 2009. These companies are totally inactive, have no relevant assets or employees, and are currently in the process of being dissolved.

Tax Transparency

Ence promotes transparent, clear and responsible communication of its main tax figures by informing its different stakeholders of the tax contribution in the different jurisdictions in which it operates through the company's annual accounts and in its non-financial information.

Below is a breakdown of the information relating to the Ence Group's **tax contribution** in the various tax jurisdictions in which it operates:

TAX CONTRIBUTION 2023

Tax Jurisdictions	Argentina	Spain	Portugal	Uruguay	Total
Number of resident entities	1	40	1	2	**44**
Number of Employees (31/12/2023)		1,257	5	0	**1,262**
Revenue from sales to third parties (thousands of €)		829,318	284		**829,603**
Revenue from intra-group transactions between and with other tax jurisdictions (thousands of €)		0.00	5,659	0	**5,659**
Tangible assets other than cash and cash equivalents (thousands of €)		1,126,318	1,131	128	**1,127,577**
Corporate income tax settlement					
Accounting result before tax (thousands of €)		(-27,681)	(-5,489)	0.00	**(-33,170)**
Net amount (Tax on profit paid) (thousands of €)		6,638	0	0	**6,638**
Profit tax (expense / (income))					
Current tax (thousands of €)		735	0	0	**735**

Deferred tax (thousands of €)	(-12,834)	0	0	**(-12,834)**
Effective rate (2) (%)	25%	21%	25%	-
Nominal rate (%)	25%	21%	25%	-

Ence not only adds value to the economy, but also to society contributing through responsible tax action to supporting public duties in those territories in which it operates through the payment of applicable taxes.

Most of Ence's **tax contributions** are carried out in Spain. In 2023, the direct and indirect contribution, broken down by Autonomous Community, was as follows:

DIRECT[(1)] AND INDIRECT TAX CONTRIBUTION BY AUTONOMOUS COMMUNITY.

Thousands of Euros	Spain						Portugal	Total
	Andalusia	Asturias	Castile La Mancha	Extremadura	Galicia	Madrid and other		
Property Tax	485	54	93	18	93	0	0	**744**
Trade Tax	719	379	71	15	319	0	0	**1,503**
Fees	330	129	16	30	1,800	0	52	**2,357**
PTT and Stamp duty	0	0	0	0	0	0	0	**0**
Environmental levy	225	257	98	37	1,493	0	0	**2,109**
Corporate Income Tax	1,286	0	-16	0	0	5,115	0	**6,385**
Tax on electricity generation	0	0	0	0	0	0	0	**0**
IH purchase of fuel	0	189	0	0	243	0	0	**432**
Special taxes on energy purchasing	16	23	0	4	41	0	0	**84**
Social security contribution	2,997	7,381	90	558	6,669	1,500	0	**19,195**
Withholdings	2,549	7,566	100	470	21,505	4,623	0	**36,814**
VAT	10,954	12,461	0	0	89	178	0	**23,682**

Thousands of Euros	Spain						Portugal	Total
	Andalusia	Asturias	Castile La Mancha	Extremadura	Galicia	Madrid and other		
Special taxes on energy sales	0	0	0	0	0	0	0	**0**
Social security - worker	581	1,487	17	107	1,337	290	0	**3,820**
Total	**20,141**	**29,926**	**469**	**1,239**	**33,590**	**11,707**	**52**	**97,124**

(1) Direct contribution means those taxes that the company generates directly through its activity. Indirect taxation refers to taxes where society acts as a tax collector.

Grants

GRI 201-4:

Project title	Company	Site	Amount of aid (€)	Agency
Idae fn-pgesi-2018-001561	Ceasa	Navia	673,873	IDAE
Indirect costs CO_2	Ceasa	Navia	2,302,224	Ministry of Economy, Trade and Business
	Ence	Pontevedra	954,871	Ministry of Economy, Trade and Business
Electro-intensive	Ceasa	Navia	226,714	Ministry of Economy, Trade and Business
	Ence	Pontevedra	230,060	Ministry of Economy, Trade and Business
Gas-intensive	Ceasa	Navia	202,445	Ministry of Economy, Trade and Business
Results			**4,590,188**	

This includes additions of subsidies received during the year, both capital and operating subsidies.

Details of Ence Group companies can be found in Annex II (other indicators) of this report.

No grants have been received in any country other than Spain.

RESPONSIBLE GOVERNANCE

CORPORATE GOVERNANCE

*"Good **corporate governance is a strategic pillar** on which the decisions of the company's governance bodies are based. **Ence adopts the best governance principles and recommendations** applicable to benefit its stakeholders."*

Commitment to good governance

Ence's Board of Directors is fully committed to articulating a comprehensive, transparent and effective corporate governance system that allows the company's governance bodies to be structured in such a way as to protect the interests of shareholders and other stakeholders and to generate long-term value.

To this end, the company conducts a continuous analysis of existing governance recommendations and best practices in the market, as well as of the expectations communicated by shareholders, investors, ESG analysts and proxy advisors. This ongoing assessment enables Ence to adopt the best governance principles and recommendations applicable to benefit its stakeholders.

The consideration of good corporate governance as a priority issue for Ence has led the Board of Directors to integrate it as one of the pillars of the 2019-2023 Sustainability Master Plan. In this way, good corporate governance is a strategic pillar on which the decisions of the company's governance bodies are based.

Main lines of action in the area of good governance

In accordance with this commitment to good governance, Ence's Board of Directors has maintained its focus in 2023 on the following lines of action:

1. Maintaining an effective and up-to-date internal body of regulations

In 2023, the company's General Meeting of Shareholders approved a new **Directors' Remuneration Policy**, as proposed by the Board of Directors. This Policy is available to all the company's stakeholders on Ence's website:

The Ence Board of Directors has also carried out the approval of the following corporate policies:

- ✓ Corporate control and supervision policy of the Ence Consolidated Group.
- ✓ Ence Group corporate tax policy.
- ✓ Internal Information System Policy and Internal Information Channel Procedure.
- ✓ Sustainability Due Diligence Policy
- ✓ Update of the Risk Management and Control Policy.

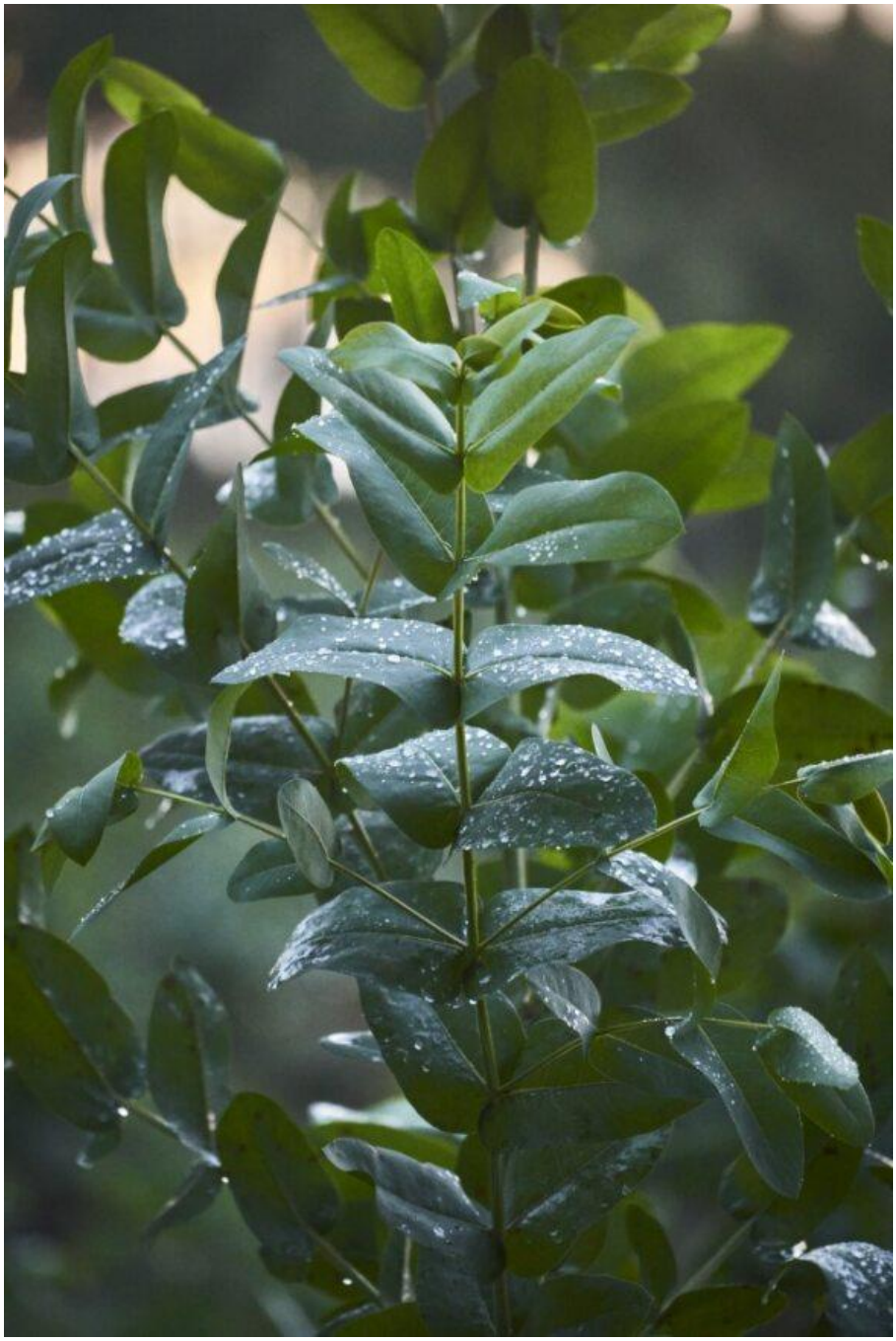
The amended Policies and regulations have been made available to shareholders and other stakeholders on Ence's corporate website.

2. Ensuring that the composition of the governance bodies is adapted to the company's needs

GRI 2-17

Following the practice recommended by the CNMV in its Technical Guide 1/2019 on appointments and remuneration committees and by the proxy advisors consulted by the company, in 2020, and following a favourable report from its Appointments and Remuneration Committee, the Ence Board of Directors approved the **competency matrix** for its members.

The competency matrix is an effective tool for the Company as it allows it to determine the appropriate experience and knowledge at management level, as well as to address in a structured way the identification and selection processes of the most suitable profiles. The latest update of the competency matrix was reviewed and reported favourably by the nomination and remuneration committee at its meeting in July 2023 and approved by the Board of Directors at its meeting in the same month.



	Business				Corporate areas				Other			
	Pulp / Forestry	Agricultural	Renewable Energies.	Industrial	Senior Management*	Accounting/Finance/Risks	Legal / Corporate Governance / Compliance	Digitisation / IT	Sustainability / Environment	Human Capital / Talent Management / Remuneration	International experience	Experience on the boards of listed companies and investor relations
Ignacio de Colmenares	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Maria Paz Robina				✓	✓	✓	✓		✓	✓	✓	
Javier Arregui	✓	✓			✓							✓
Óscar Arregui	✓	✓	✓									
Ángel Agudo Valenciano				✓	✓	✓	✓	✓	✓	✓	✓	✓
José Ignacio Comenge	✓	✓		✓	✓	✓			✓	✓	✓	✓
Gorka Arregui				✓	✓	✓	✓					✓
Carmen Aquerreta				✓	✓	✓	✓	✓		✓	✓	✓
Rosa Maria Garcia			✓	✓	✓		✓		✓		✓	✓
Irene Hernández					✓	✓	✓			✓	✓	✓
Rosalía Gil-Albarellos	✓	✓	✓		✓				✓	✓	✓	
José Guillermo Zubía Guinea				✓	✓	✓	✓		✓	✓		
Fernando Abril-Martorell	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓

According to Ence's competency matrix, the company's Board of Directors covers the skills necessary for the proper development of the strategic objectives, including skills in the company's core businesses, as well as in other necessary areas such as sustainability, industry, legal, finance, risk management or team management.

In 2023, Ence has updated the content of the materials included in its **Directors' Knowledge Update Programme**. This programme enables directors to keep abreast of issues that are relevant to the Company and the environment in which it operates.

This programme joins Ence's existing Welcome Programme to introduce new directors joining the company to the internal regulations and general rules of operation of the governing bodies and the securities markets.

3. Having diverse governance bodies in place

The above measures to identify and update the skills of directors decisively contribute to fostering the presence of diverse profiles in terms of knowledge and experience on Ence's Board of Directors, and therefore to the enrichment and breadth of deliberations and the certainty of decisions. Moreover, gender diversity within the Board of Directors is still one of the priorities in the refreshment process of the Board and its Committees.

The presence of women on Ence's Board of Directors remained at 38% in 2023, with all committees, except the executive committee, chaired by independent female directors.

The company remains focused on meeting the 2020 target set in its Director Selection Policy, to the extent that Board renewals make it possible to move in this direction, as well as on implementing measures to encourage the company to have a significant number of senior executives.

Thanks to the efforts that Ence has been making over the last few years to promote equality, in 2023 the company remains for the second year running a member of the **Ibex Gender Equality**, the first index that measures the presence of women in management positions in Spanish companies. The Ibex Gender Equality is composed of those listed securities which, being components of the Madrid Stock Exchange General Index (IGBM), have a presence of women on the Board of Directors between 25% and 75%, and a presence of women in senior management between 15% and 85%.

4. Governance bodies focused on managing ESG issues

Ence's Board of Directors maintains a proactive approach to integrating environmental, social and good governance issues into its strategy, with a clear commitment to the creation of sustainable and shared value with stakeholders. The Sustainability Committee has established itself as a permanent body that has dealt in depth with a wide range of issues throughout the year, strengthening the vision of ESG perspectives in the Board. This is why, in 2022, the General Shareholders' Meeting approved the inclusion of the regulation of the Sustainability Committee, created in 2018, in the Company's Articles of Association.

Ownership structure

GRI 2-1

Ence Energía y Celulosa, S.A., with Tax Identification Number (NIF) A-28212264, is incorporated as a public limited company, with registered offices at calle Beatriz de Bobadilla 14, 4ª, 28040, Madrid. Its share capital and number of shares are as follows:

Share capital and number of shares and voting rights	
Share capital (€)	221,645,250
No. of shares	246,272,500
No. of voting rights	246,272,500

By 31 December 2023, Ence's shareholder structure was as follows:

Shareholder	% on 31/12/2023
Mr. Juan Luis Arregui / Retos Operativos XXI, S.L.	29.44
Mr. Víctor Urrutia / Asúa Inversiones, S.L.	7.29
Jose Ignacio Comenge / Mendibea 2002 S.L.	6.38
Treasury stock	1.57
Board members with participation < 3%	0.62
Free Float	54.70
Total	**100**

Relationship channels with shareholders

Ence is committed to value creation for shareholders and investors and provides them with the resources and procedures needed to guarantee maximum transparency of and accessibility to company information.

The Investor Relations Department is in charge of Ence's regular and permanent communication with the different capital market agents: shareholders and equity investors, bond holders and fixed income investors, brokers and financial analysts, credit rating agencies, etc. Its main objective is to keep the different market agents appropriately informed about the financial situation, management development, business strategy and any other relevant Company fact, ensuring the integrity, veracity, immediacy, equality and symmetry of the information.

Ence's main communication channel with shareholders, investors and other capital market agents consists of the investors section of the corporate website (www.ence.es), where the Investor Relations department maintains all the information that could be of interest to them, such as the share price, dividends, relevant facts, financial information, information on corporate governance and sustainability, debt issues and ratings, corporate presentations and results, etc. continuously updated and easily and immediately accessible.

Another communication channel is for the presentation of quarterly results to financial analysts. They are broadcast live and access to the recordings is provided through Ence's corporate website. All public information required by the National Securities Market Commission is also available through its website (www.cnmv.es), including the communication of privileged information and other relevant facts.

Ence is also present on social networks (LinkedIn, Twitter, Facebook, YouTube, Instagram), aware of the repercussions that these platforms have today. Through them, Ence seeks information on the company's activities and establishes fluid and transparent dialogue with its stakeholders.

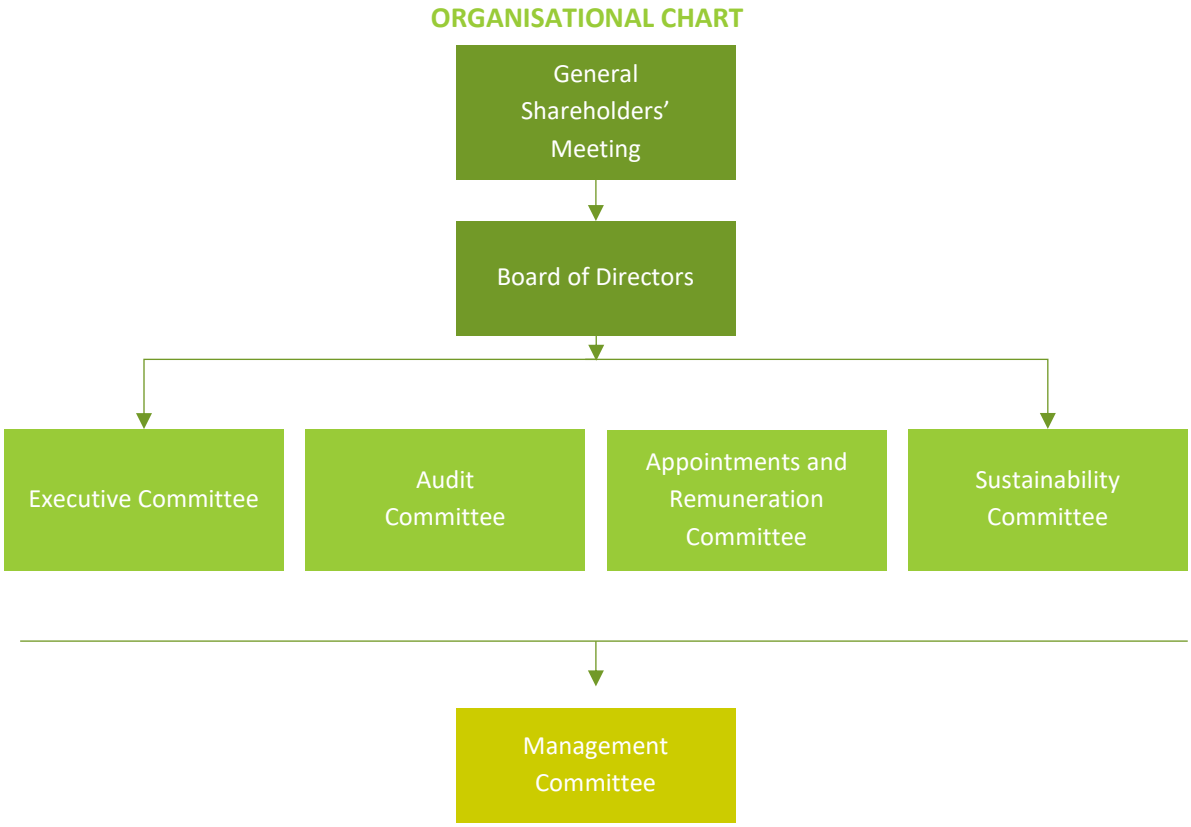
The Investor Relations Department also deals with queries from shareholders, bondholders, institutional and private investors, financial analysts and other market agents on a permanent and individual basis by e-mail, ir@ence.es, and on the shareholder's telephone line (+34 91 337 8553).

Ence also participates in conferences and regularly organises informative meetings with these interest groups in order to provide them with the most adequate and updated public information about the company for the exercise of their rights and interests.

Composition and functioning of the governing bodies

GRI 2-9, GRI 2-13, GRI 2-12

Ence's governance bodies are as follows:



Process for delegating authority:

The Board of Directors has delegated the powers that are not legally or statutorily non-delegable to the Chief Executive Officer and the Executive Commitee. The Company also has a structure of managers and employees empowered to implement its strategy and basic management guidelines, whose powers are granted under two operating principles: (i) the principle of association, which governs the exercise of dispositive or organizational nature faculties; and (ii) the principle of solidarity, which governs the exercise of faculties of mere representation before Public Administrations.

The Board of Directors or the Chief Executive Officer grants the general and special powers of attorney that may be required, in accordance with the Company's Internal Powers of Attorney Regulations, to carry out certain economic or management actions, subject to the limits and conditions established in said powers of attorney.

General Shareholders' Meeting

The General Shareholders' Meeting represents all of Ence shareholders and has the powers provided for by law, in the Articles of Association and in the Regulations of the General Shareholders' Meeting (see direct access to the internal regulations at the following link on the corporate website). All of Ence shareholders whose shares are registered under their names, in

the corresponding accounting records, five days before the date of the General Shareholders' Meeting, have the right to attend and vote at meetings.

The Ordinary General Meeting of Shareholders was held on 05 May 2023, and the following resolutions were adopted there:

- ✓ Approval of the annual accounts and of the directors' report of the company and of its consolidated group.
- ✓ The approval of the consolidated statement of non-financial information (2022 Sustainability Report).
- ✓ Approval of the proposal for the allocation of the result of the financial year.
- ✓ Approval of The Board of Directors Management.
- ✓ Offsetting of prior years' losses against voluntary reserves.
- ✓ Re-election of Mr. Ignacio de Colmenares Brunet as Executive Director
- ✓ Examine and approve the remuneration policy for Board Members for the years 2024, 2025 and 2026.
- ✓ Examine and approve a new long-term incentive for the financial years 2023 to 2027.
- ✓ Delegation of powers to interpret, supplement and formalise the agreements
- ✓ Advisory vote on the annual report on remuneration for directors for 2022.

The average percentage of votes in favour of the agreements was 98.5%. The Meeting was held in Madrid, in the Rafael de Pino Auditorium in person, allowing and enabling the necessary means for the remote attendance of shareholders and the casting of electronic votes. In addition, since the call to the General Meeting, the Electronic Shareholders' Forum was set up on the corporate website, which can be accessed - in accordance with the applicable regulations - by both the shareholders and the voluntary associations constituted and registered in the special register which was set up for this purpose at the National Securities Market Commission.

Board of Directors

GRI 2-9, GRI 2-11, GRI 2-12, GRI 2-14

Functions

The Board of Directors is the supervisory, management and control body of the Company, with the functions attributed to it by the Law and the Articles of Association, among others:

- ✓ Deliberating and approving the Company and Group strategic plan, including the definition and, in that case, the review of its mission and values, as well as the economic, social, and environmental objectives in the short, mid and long-term.
- ✓ The approval of sustainability policy, the risk control and management policy and the dividend policy.
- ✓ Establishing the corporate governance policy of the Company and the Group.
- ✓ The approval of the Crime Prevention and Detection Model.
- ✓ The approval and publication of financial and non-financial information.

Composition:

The Board of Directors has an efficient and diverse composition:

- ✓ 38% of directors are independent
- ✓ One of the independent directors is the coordinating director
- ✓ 38% of Board members are women
- ✓ The average age of the directors is 58 years
- ✓ The average length of service on the Board is 6.6 years.

ENCE'S BOARD OF DIRECTORS

1 Chief Executive Officer	**5** Independent Directors (**1** Coordinating Director)	**5** Proprietary Directors	**2** Other External Directors

The Independent Coordinating Director

In accordance with Recommendation 34 of the Unified Code of Good Governance, at Ence, the functions attributed to the Independent Coordinating Director extend to aspects additional to those that legally correspond to him.

In particular, it is the Coordinating Director's responsibility: a) to chair the Board of Directors in case of Chairman and Vice-Chairman absence; b) to request the Chairman to convene the Board of Directors and to participate, together with him, in the planning of the annual meeting schedule; c) to voice the proposals and opinions of the non-executive directors; d) to maintain contact with investors and shareholders in order to ascertain their views for the purpose of forming an opinion on their concerns, in particular, in relation to the corporate governance of the Company; and e) to direct the periodic evaluation of the Chairman and to lead and organize, where appropriate, the Chairman's succession plan.

Main issues addressed in 2023

The Board dealt with the most relevant issues for the proper management of the company, among others:

- ✓ Approval of the procedure and provision of the means for holding the General Shareholders' Meeting. Drawing up of the annual accounts and approval of the necessary reports to make them available to the ordinary general meeting.
- ✓ Review, reporting and, where appropriate, approval of corporate transactions.
- ✓ Strategic reflection. Navia Excelente, fluff, decarbonisation and special products.
- ✓ Update of the risk management map.
- ✓ Situation of the Pontevedra biofactory in relation to water availability.
- ✓ Approval of Investments.
- ✓ Cellulose business innovation projects.
- ✓ Approval of an interim dividend for 2022.
- ✓ Approval of the proposed Directors' Remuneration Policy.

- ✓ Approval of the proposed Long-Term Incentive Plan 2023-2027.
- ✓ Approval of the Sustainability Master Plan 2024-2028.
- ✓ Approval of the Corporate control and supervision policy of the Ence Consolidated Group.
- ✓ Approval of the update of the Ence Group's Corporate Tax Policy.
- ✓ Approval of the update of the Risk Management and Control Policy.
- ✓ Approval of the Internal Information System Policy and Internal Information Channel Procedure.
- ✓ Approval of the issuance of an Ence Sustainable Promissory Note Programme in MARF.
- ✓ Approval of the Sustainability Due Diligence Policy.
- ✓ Review of the organisation and talents of the Management Committee. Review of succession or contingency plans.
- ✓ Analysis of the markets in which the company operates and preparation of the necessary forecasts.
- ✓ Regular information from the company's top executives on the evolution of the businesses for which they are responsible.

Selection and assessment

GRI 2-10, GRI 2-18

The selection of candidates which will join Ence's Board of Directors follows the procedure and principles established in the Policy for the Selection of Directors and **Diversity in the Composition of the Board**, which is available on the corporate website.

Board Members shall hold office for a maximum period of three years and may be re-elected once or several times for periods of the same duration.

The assessment of the Board follows the mechanism set out in Article 19a of the Board of Directors' Regulations. The results of the annual self-assessment lead to an action plan for the following year.

Remuneration:

GRI 2-19, GRI 2-20

The Board of Directors is responsible for determining each director's remuneration, with previous report from the Appointments and Remuneration Committee, within the framework of the **Directors' Remuneration Policy** approved by the General Meeting.

The current **Remuneration Policy 2024-2026** was approved by the company's shareholders at the General Meeting held on 05 May 2023, with 98.11% of votes in favour. The full text of the policy is available on the corporate website. A detailed breakdown of all the remuneration items received by the Directors during the year is included in the Annual Report on Directors' Remuneration also available on Ence's website.

Sustainability and organisational climate targets for the 2019-2023 Long-Term Incentive account for 25% of the long-term variable remuneration, while in the First Long-Term Incentive Cycle 2023-2027 sustainability (non-financial) targets account for 25% of the long-term variable remuneration.

Committees

The following table contains the most relevant information on the composition of the four committees of Ence's Board of Directors. The powers of each of the committees are detailed in articles 14 to 17 bis of the Regulations of the Board of Directors. Details of these functions can also be found in the Annual Corporate Governance Report 2023, available on Ence's website.

		2023 Committees composition and meetings				
Council	**Legal category**	Age:	Executive Committee	Audit Committee	Appointments & Remuneration Committee	Sustainability Committee
Mr. Ignacio de Colmenares	Chief Executive Officer	62	C			
Ms Irene Hernández	Independent Coordinating Director	58	F	C	F	
Mr Javier Arregui	Proprietary Director	53		F		F
D. Óscar Arregui	Proprietary Director	50	F			
José Ignacio Comenge	Proprietary Director	72	F			
Mr Gorka Arregui	Proprietary Director	48	F		F	
Angel Agudo	Proprietary Director	50				F
Ms Rosalía Gil-Albarellos	Independent Director	63			F	F
Ms Rosa Maria Garcia	Independent Director	49		F		C
Ms Carmen Aquerreta	Independent Director	55		F		

Ms Maria Paz Robina	Independent Director	59			C	F
Mr. Fernando Abril-Martorell	Other External Director	61	F		F	
Mr. José Guillermo Zubía	Other External Director	77	F	F		

M: member; C: chairperson

Council		Executive Committee	Audit Committee	Appointments & Remuneration Committee	Sustainability Committee
Average age	58.2	-	-	-	-
% of women	38%	14%	60%	60%	60%
% of independent ones	38%	14%	60%	60%	60%
Independent Chairperson	-	-	✓	✓	✓
2023 Meetings	11	4	8	5	5
% attendance*	97.90 %	96.25%	100%	100%	100%

** The breakdown of individualised assistance is included in the IAGC paragraph C.1.25*

The main points addressed by the Committees during the financial year 2023 are described in the operating reports drawn up by each of them, which were approved by the Board of Directors

Executive-level bodies

Senior Management

Senior Management comprises the Management Committee and the Internal Audit Directorate. The Management Committee is composed of the Chief Executive Officer, the General Managers of the business areas and the General Managers of the transversal corporate areas, it is responsible for the day-to-day management of the company and jointly makes the main economic, social and environmental decisions which, where appropriate, may be submitted to the Board of Directors within its sphere of competence. The members of the Management Committee report directly to the Committees and the Board of Directors.

Management Committee	Name	Position
✓	Ignacio de Colmenares Brunet	Managing Director

Management Committee	Name	Position
✓	Jordi Aguiló Jubierre	Managing Director of Cellulose
✓	Isabel Vallejo de la Fuente	Managing Director of Human Resources
✓	Alfredo Avello de la Peña	General Manager of Finance and Corporate Development
✓	Reyes Cerezo Rodríguez-Sedano	General Secretary and Managing Director of Sustainability
✓	Modesto Saiz Suarez	Sales, Marketing and Logistics Director of Celulosa
✓	Fernando González-Palacios Carbajo	Director of Planning and Management Control
✓	Guillermo Negro Maguregui	Managing Director of Magnon Green Energy
	Ángel J. Mosquera López-Leyton	Internal Auditing Director

Note: The changes in the composition of the Management Committee in 2023 are detailed in Section C.1.14 of Ence's Annual Corporate Governance Report (2023).

ETHICS AND COMPLIANCE

*"**The culture of ethics and compliance** among Ence's professionals is the basis for **their behaviour and their "way of doing things"**. Strengthening the ethics and compliance governance function and bodies is therefore a priority for the company."*

Key milestones in 2023

Approval of the **Internal Information System** Policy	Establishment of the **Corporate Ethics and Compliance Directorate**	Revision of the **Criminal Compliance Policy**	Renewal of the **UNE 19601:2017 certificate for the Criminal Compliance Management System**	Implementation of a Channel communications **management tool**

Strategy and objectives

Ence's priority is to strengthen the Group's culture of ethics and compliance. To this end, a Corporate Ethics and Compliance Department has been created in 2023 to replace the former Compliance Committee, which has set itself the following objectives:

Control and monitoring bodies

To guarantee adequate control of potential risks, Ence regulates the functioning of its governing bodies in accordance with the principles of ethics and transparency. These bodies are as follows:

- ✓ The **Board of Directors** is the highest body responsible for approving and supervising the implementation of the Crime and Criminal Risk Prevention Model and for approving the measures and means to be applied.
- ✓ The **Audit Committee**, within the framework of the Crime Prevention Model, supervises and monitors the functioning of the Model, as well as Ence's regulatory compliance standards, and ensures the independence and effectiveness of the compliance body.
- ✓ The **Management Committee** is responsible for complying with the policies and procedures established by Ence, as well as acting ethically and responsibly. It is also responsible for maintaining an effective control environment in the implementation of controls.

- ✓ The **Ethics and Compliance Department** supervises, monitors and reviews the Group's Criminal Compliance Programme.
- ✓ The **Internal Audit Department** is a further supervisory body for the analysis, evaluation and supervision of the Company's internal control and risk management systems.

Crime and criminal risk prevention model

The Ethics and Compliance Department, together with the Internal Audit Department, regularly monitors the functioning and effectiveness of the procedures and internal controls established for the prevention, identification and mitigation of the risks identified in the risk analysis.

Ence has adopted a **crime and criminal risk prevention model** which identifies the risks affecting each area and establishes the necessary internal controls for prevention and mitigation.

In order to guarantee due control and to adequately manage the detection and prevention of crimes, Ence has developed the following corporate compliance regulations as the basis of the Model:

- ✓ The **Code of Conduct**, which establishes the guidelines to be followed by all members of the organisation.
- ✓ The **Anti-Corruption and Anti-Fraud Policy**, which constitutes a permanent commitment to monitoring and sanctioning fraudulent acts and conducts, or conducts that promotes corruption in all its manifestations.
- ✓ The **Criminal and Anti-Bribery Compliance Policy**, which provides the basis for developing a culture of compliance and condemning any kind of illegal behaviour.
- ✓ The **Internal Information System Policy,** which sets out the general principles of the Internal Information System and lays down the basis for the functioning of the Internal Information Channel.
- ✓ Specific **procedures and instructions** (internal channel, donations and sponsorships, gifts, competition, third party due diligence, etc.)

These policies apply to all the companies that form part of Ence, to all its professionals and to third parties that have dealings with the Group. Thus, Ence asks all its professionals to make an annual declaration of compliance:

- ✓ with the Code of Conduct
- ✓ with the Fighting Against Corruption and Fraud Policy.
- ✓ with the Antitrust Programme
- ✓ with the Declaration of Conflict of Interest

In addition, the management team accepts the annual Criminal and Anti-Bribery Compliance Policy.

The company also requires all its suppliers to adhere to the Code of Conduct, the Anti-Corruption and Anti-Fraud Policy and the Criminal and Anti-Bribery Compliance Policy before entering into a business relationship with Ence. The industrial supplier adherence and approval process has been automated through the SAP Ariba tool.

During the last quarter of the year, the **audit of the Crime and Criminal Risk Prevention Model** was carried out, with the aim of reviewing the effectiveness of the controls defined in the Model, as well as the degree of implementation and functioning of the existing control mechanisms. The issued audit report assessed the process as adequate and included a series of recommendations with the aim of reinforcing the Crime Prevention System, such as updating the Criminal Risk Matrix, including new businesses and activities.

In 2023, Ence received the new Criminal **Compliance Management System** certificate in accordance with the UNE19601:2017 standard from AENOR as an entity accredited by ENAC, confirming its commitment to best practices in criminal compliance and the highest standards of business ethics, and reducing criminal risk in the exercise of its activities.

In addition, the criminal risk and control matrices and the Criminal Risk Map were reviewed and updated this year, including new applicable offences.

Code of Conduct

GRI 2-23, GRI 2-26

The Code of Conduct sets out the Group's ethical pillars and establishes the principles of conduct that guide Ence's directors and professionals in the performance of their activities and in their relations with third parties. It also reinforces the company's commitment to ethical behaviour and integrity.

OUR ETHICAL PILLARS

Commitment

Accountability and transparency define our framework for all relations with our stakeholders.

Accountability

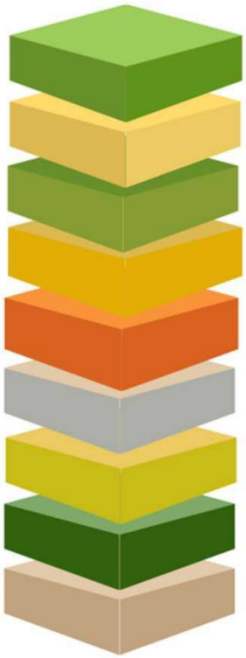
We are accountable for our actions and decisions and assume the consequences of these, responding to the legitimate expectations of our stakeholders.

Care

Proximity and involvement with the reality of our economic, social and environmental surroundings define our business model.

Respect

Our main standard of conduct is the consideration of people's dignity, always seeking equal opportunities, avoiding any discrimination and inequality.



Sustainability

Respect, care for people and the environment are the backbone of our activity.

Continuous improvement

Dialogue and professionalism are the basis of our commitment to continuous improvement and excellence.

Transparency

It is our aim to report and account for what we do and how we do it, with a focus on fighting corruption, bribery and combating fraud in all its forms.

Professionalism

The training of our employees and the updating of their skills is the main driver for the development of an excellent organisation.

Dialogue

We believe that active participation and the search for agreements is the best way to further improve and develop the organisation.

The Code of Conduct is binding on all administrators, professionals and third parties acting on behalf of the company or falling within its scope of application. It also establishes the duty to report any known or suspected non-compliance through the Internal Reporting Channel.

This Code is available to all the company's stakeholders and can be found on the group's corporate website.

All Ence professionals must adhere to the Code of Conduct when they join the Group, as well as third parties before entering into a business relationship with the Group. In addition, higher-risk professionals must sign an annual declaration of commitment to the Code of Conduct. In addition, all new recruits are required to undergo Code of Conduct training as part of the induction process.

On an annual basis, all Group professionals are asked to renew their declaration of compliance with the Code of Conduct and other compliance regulations.
The **Audit Committee** of Ence's Board of Directors is the body in charge of monitoring and controlling the implementation of the Code of Conduct, as well as its correct dissemination and compliance.

Fighting Against Corruption and Fraud Policy

GRI 205-1, GRI 205-3

In 2020, Ence's Board of Directors, in its commitment to zero tolerance against corruption, approved the **Anti-Corruption and Fraud Policy**, which is available to all the company's stakeholders on the corporate website. This Policy constitutes a permanent commitment to monitoring and sanctioning fraudulent acts and conducts, or conducts that promotes corruption in all its manifestations.

Criminal and Anti-Bribery Compliance Policy

The Criminal and Anti-Bribery Compliance Policy, developed in line with best practices in compliance matters, sets out Ence's general principles for action in crime prevention.

During the year, the Board of Directors reviewed, updated and approved a new version of the Policy, which is also available on the Ence website.

Internal Information System Policy

The purpose of this Policy is to set out the general principles of the Internal Reporting System, as well as to ensure the whistleblower's defence. With this Policy, Ence undertakes to adopt the necessary measures to prevent any type of retaliation against people who report in good faith any irregular or unlawful conduct occurring within the framework of Ence's activities that is contrary to the Code of Conduct or the legal framework in force.

Internal Information Channel

Ence provides an internal reporting channel through which anyone can report irregular or unlawful conduct occurring within the framework of Ence's activities that is contrary to its Code of Conduct or the legal framework in force.

The person in charge of the internal information system manages the communications received, and ensures:

GUARANTEES OF THE INTERNAL INFORMATION CHANNEL

- Information confidentiality
- Anonymity of persons who do not wish to identify themselves
- Absence of retaliation against the person communicating in good faith
- Respect for the rights of all parties involved

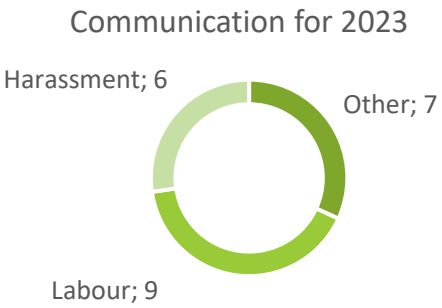
The access routes to the Internal Information Channel are:

- ✓ Through the website https://enceintegrityline.com/
- ✓ Postal mail: Ence Energía y Celulosa. Att. Responsable del Sistema Interno de Información (Internal Information System Officer). C/ Beatriz de Bobadilla, nº 14. CP 28040 Madrid
- ✓ Through the QR code:

The communications are received directly by this person in charge and once the communication has been received, an acknowledgement of receipt is sent.

The principles of action, as well as the rights of the informant and the affected party, are set out in the Corporate Policy of the Internal Information System, which the company makes available to all its stakeholders on its website. In 2023, the procedure has been updated to bring it in line with the requirements of the whistleblower act (Act regulating the protection of persons who report regulatory infringements and the fight against corruption, which transposes Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union Law, is currently in parliamentary procedure).

In 2023, **22 communications** were received, of which 20 cases were processed, **1 by an instructor from outside** the group and **19 by an internal instructor**. The rest of the notifications have been closed, either ex officio because they were out of scope, or after additional information had been sought from the relevant department. Ence has carried out the appropriate investigations, in accordance with the procedure, and implemented the corresponding actions in accordance with the internal regulations in force. Specifically, 9 communications were related to labour issues (e.g. working conditions, etc.); 6 to harassment, all of which have been closed after investigation; and 7 communications were on other matters. In this regard, no allegations of corruption or human rights violations have been received.



Ethics and compliance training and communication

Training

205–2

Ence has a mandatory compliance training programme for all employees, which includes a course on the Code of Conduct and the Anti-Corruption and Anti-Fraud Policy.

In 2023, 950 people, over 75% of the workforce, took part in training actions on Ethics and Compliance. The main topics covered in these training sessions were the Code of Conduct, the Policy on Criminal Compliance and the Fight against Corruption and Fraud, the Corporate Policy on the Internal Information System and the Internal Information Channel Procedure. For positions particularly exposed to criminal risks, training was provided on antitrust, prevention of money laundering, resolution of interpersonal conflicts and prevention of harassment.

Communication

Ence undertakes communication and compliance awareness actions for its employees through different channels such as the intranet, the AUNA platform, the MiEnce application and other corporate channels.

In 2023, 33 communication actions were carried out on the Code of Conduct, Internal Channel, conflicts of interest, gifts and ethical culture, among others. The management team and employees have received continuous information on compliance regulations via the intranet and e-mails. Specifically, 18 publications have been made on the intranet, in which, in general, the importance of the Internal Reporting Channel for reporting irregularities has been emphasised.

Compliance Survey

In July 2023, a survey was conducted to assess the degree of ethical culture and compliance at Ence. The results have helped set the objectives for the coming year to further improve Ence's ethical and compliance culture.

COMPLIANCE SURVEY RESULTS 2023

Prevention of money laundering.

Ence does not find money laundering as a priority risk, given that its business model is based on a direct relationship with industrial customers. However, Ence also includes this aspect in its audit plans.

Apart from specific audits and the review of the Internal Control over Financial Reporting System (ICFR), Ence carries out a series of internal controls to prevent money laundering, such as the analysis and blocking of pulp sales transactions if customers based in sanctioned states or tax havens are detected.

ANNEXES

ANNEX I
ABOUT THIS REPORT

Scope

GRI 3-1:

The information included in the 2023 Sustainability Report pertains to all the activities carried out by Grupo Ence Energía y Celulosa S.A. from 1 January 2023 to 31 December 2023. The scope of this report for the purposes of the Global Reporting Initiative is the same as with the Consolidated Financial Statements of Ence Energía y Celulosa, S.A. and its subsidiary companies. Any exceptions to this scope are detailed in the corresponding sections of this report and in the GRI indicators table (Annex IV of this report).

This Report constitutes the company's **consolidated Non-Financial Information Statement** and is included in the consolidated Management Report of Ence Energía y Celulosa, S.A. and Subsidiary Companies. The content of the report has been defined in response to **Act 11/2018** of 29 December, which amends the Commercial Code, the revised text of the Capital Companies Act approved by Royal Legislative Decree 1/2010 of 2 July, and Act 22/2015 of 20 July, on Accounts Auditing in the area of non-financial information and diversity. Annex V of this report contains a table specifying the reference standard used and which section of the report answers each specific requirement set out in said Act or otherwise explains a possible omission.

This report also responds to the disclosure requirements set out in **Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council** of 18 June 2020 on establishing a framework to facilitate sustainable investment (Taxonomy) and the delegated regulations implementing it. Specifically, the report breaks down the degree of eligibility and alignment of the economic activities of the Ence Energía y Celulosa S.A. Group in relation to the objectives of climate change mitigation and adaptation and the degree of eligibility of the Group's activities in relation to the other four European environmental objectives (sustainable use and protection of water and marine resources, transition to a circular economy, prevention and control of pollution and protection and recovery of biodiversity and ecosystems).

Reference standards

GRI 1

The 2023 Sustainability Report has been developed in accordance with the Global Reporting Initiative (GRI) GRI Standards. Annex IV contains a list of the GRI indicators and the section or sections of the report in which they are answered or otherwise explains a possible omission.

The balanced, reasonable presentation of Ence's performance throughout 2023 required the application of the following principles:

- ✓ The principles for defining the content of the report, in terms of stakeholder inclusiveness, sustainability context, materiality, and completeness. These principles ensure that Ence has taken into account the company's activities and impacts as well as the expectations and substantial interests of stakeholders in defining the contents of the report.

- ✓ The principles for defining the quality of the report, in terms of accuracy, balance, clarity, comparability, reliability, and timeliness.

With reference to compliance with the **materiality principle**, the "Materiality analysis and stakeholder dialogue" section of this report details the process applied by Ence to identify and prioritise material aspects for its stakeholders and for the company itself and the activities carried out during the 2023 financial year to update this analysis.

With this materiality analysis, Ence ensures that both the priorities set out in its 2019-2023 Sustainability Master Plan and the contents of this report are aligned with the expectations and information requirements of its stakeholders. The sections of this report that address the material aspects identified by Ence are detailed below:

Material aspect	Report section
The relationship with local communities and social licence to operate	Commitment to communities
Reduction of odour, noise and other impacts	Commitment to safety, health and the environment
Protection of the environment and of biodiversity	Commitment to safety, health and the environment / Commitment to the rural environment
Sustainability of the forestry sector	Commitment to the rural environment
Occupational health and safety	Commitment to safety, health and the environment
Water management	Commitment to safety, health and the environment
Responsible supply chain	Commitment to the rural environment
Waste management and circular economy	Commitment to safety, health and the environment
Corporate governance, ethics and compliance	Responsible governance
Business model, performance and competitiveness	Business model
Regulatory and tax environment	Business model / Responsible governance
Efficiency	Commitment to safety, health and the environment
Rural development	Commitment to the rural environment
Products with sustainability attributes	Commitment to clients
Climate change	Commitment to climate
Customer satisfaction	Commitment to clients
Talent management	Commitment to people
Job creation	Commitment to people / Commitment to communities

Material aspect	Report section
Sustainable materials and product safety	Commitment to clients
Diversity and equal opportunities	Commitment to people
R&D investment	Innovate to transform
Digitisation	Innovate to transform
Data protection	Innovate to transform
Human Rights	Responsible governance / Commitment to the rural environment

This report also includes an Annex VI with a list of the Sustainability Accounting Standard Board (SASB) indicators applicable to the Ence Energía y Celulosa S.A. Group based on the activities carried out by the company, according to SASB's Sustainable Industry Classification System® (SICS®).

Indicators are included for the following activities of the RR Sector (Renewable Resources and Alternative Energy):

- ✓ Sub-industry RR.1 Alternative Energy
  - Industry: RR-BI Biofuels
- ✓ Sub-industry: RR.2 Forestry & Paper
  - Industry: RR-FM Forestry Management
  - Industry: RR-PP Cellulose & Paper Products

Non-Financial Reporting Internal Control System

To guarantee the quality and reliability of the information included in the Sustainability Report, Ence has implemented a **Non-Financial Information Internal Control System (SCIINF)**. The SCIINF is defined as the set of processes carried out by Ence to provide assurance regarding the reliability of the non-financial information provided to the market.

The SCIINF has been defined considering the reporting requirements set out in the Non-Financial Reporting and Diversity Act 11/2018, the principles of the *Global Reporting Initiative (GRI)* non-financial *reporting* standard and the internal control principles set out in COSO, which may be applicable to non-financial reporting.

For the implementation of the SCIINF, Ence has identified the key processes related to non-financial information in order to respond to both mandatory and voluntary reporting requirements.

SCIINF Processes
Administration
Environment
Human Capital
Supply chain
Sustainability
Commercial
Communication
Corporate Governance
Energy Management
Health and safety
Ence's forest assets Management
R+D+i

Each process is also made up of sub-processes with KPIs for which specific sheets have been created that include their definition and detailed methodology for obtaining, calculating and reporting them. In addition, the main risks have been identified and the necessary controls to mitigate them have been defined.

The SCIINF is subject to internal audits to ensure the proper functioning of the system.

In 2023, the main milestone in the context of the SCIINF has been the automation of a large number of indicators in the framework of the SAP sustainability reporting platform, the revision of the factsheets and the update of controls to ensure robustness of the data.

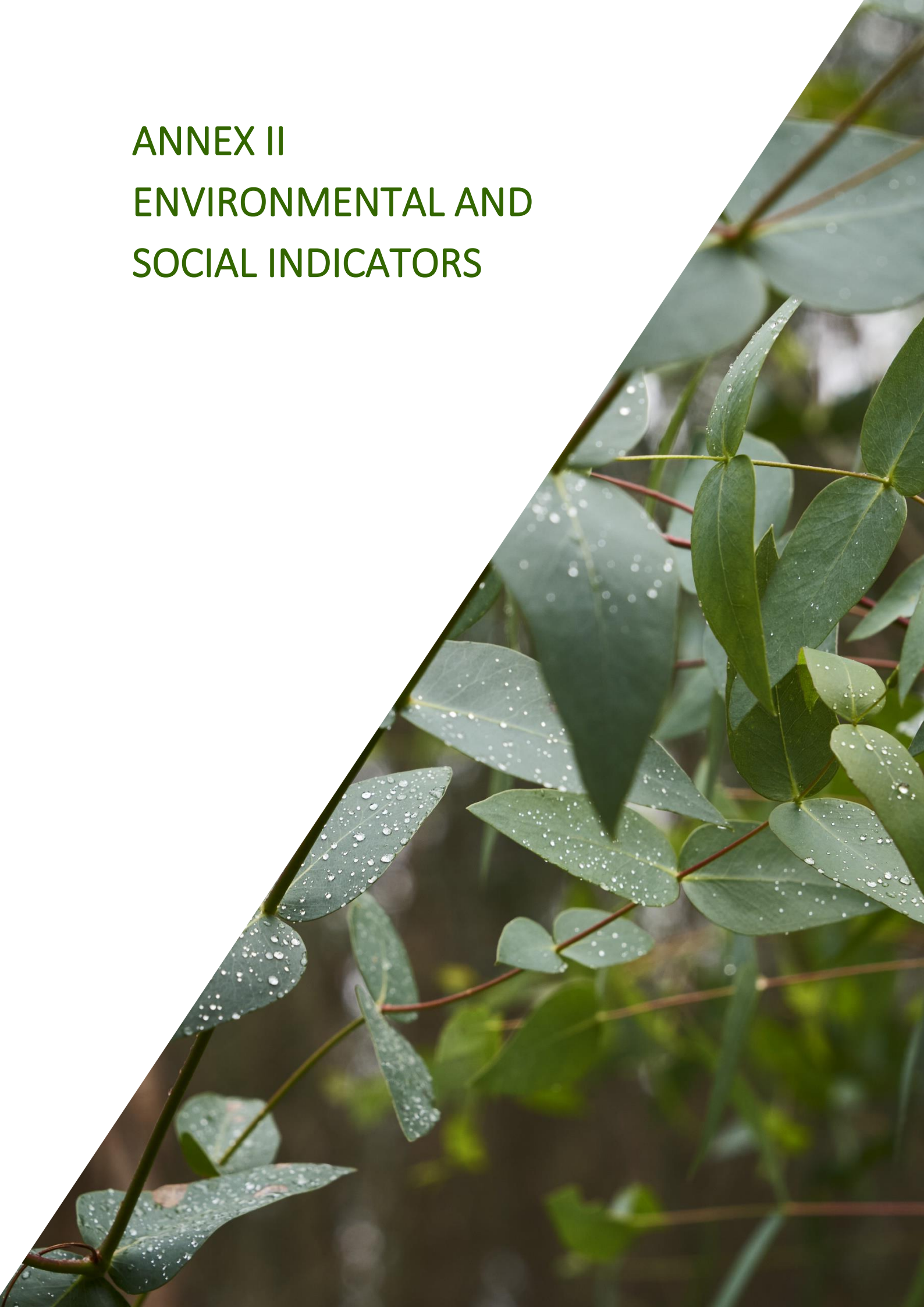
Contact information

GRI 2-3

For any query, clarification, or suggestion regarding the contents published in this report, please contact the following addresses:

Ence Energía y Celulosa, S.A.
Calle Beatriz de Bobadilla, 14
28040 Madrid
Tel.: +34 91 337 85 00
General information: info@ence.es
Sustainability: sostenibilidad@ence.es

ANNEX II
ENVIRONMENTAL AND SOCIAL INDICATORS



Focusing on people

Information on employees and workers

Workforce at the end of 2023 by professional group, age, gender and country					
Professional group/Age	SPAIN		PORTUGAL		TOTAL
	Men	Women	Men	Women	
ADMINISTRATIVE WORKERS	17	40	0	0	57
Up to 30 years old	0	2	0	0	2
From 31 to 50 years old	10	25	0	0	35
Over 50 years old	7	13	0	0	20
SUPPORT& IMPROV.	49	43	0	0	92
Up to 30 years old	2	4	0	0	6
From 31 to 50 years old	29	24	0	0	53
Over 50 years old	18	15	0	0	33
GENERAL MANAGEMENT	57	19	0	0	76
Up to 30 years old	0	0	0	0	0
From 31 to 50 years old	31	13	0	0	44
Over 50 years old	26	6	0	0	32
MANAGERS	69	31	0	0	100
Up to 30 years old	1	4	0	0	5
From 31 to 50 years old	47	21	0	0	68
Over 50 years old	21	6	0	0	27
MAINTENANCE	130	1	0	0	131
Up to 30 years old	5	0	0	0	5
From 31 to 50 years old	103	1	0	0	104
Over 50 years old	22	0	0	0	22
OPERATORS	299	47	0	0	346
Up to 30 years old	26	15	0	0	41
From 31 to 50 years old	243	31	0	0	274
Over 50 years old	30	1	0	0	31
TEAM MANAGER	69	5	0	0	74
Up to 30 years old	1	0	0	0	1
From 31 to 50 years old	47	4	0	0	51
Over 50 years old	21	1	0	0	22
TECHNICIANS	223	158	3	2	386
Up to 30 years old	29	31	1	1	62
From 31 to 50 years old	148	119	2	1	270
Over 50 years old	46	8	0	0	54
Overall total	**913**	**344**	**3**	**2**	**1,262**

Workforce at the end of 2022 by professional group, age, gender and country					
Professional group/Age	SPAIN		PORTUGAL		TOTAL
	Men	Women	Men	Women	
ADMINISTRATIVE WORKERS	15	40	0	0	55
Up to 30 years old	2	1	0	0	3

From 31 to 50 years old	6	28	0	0	34
Over 50 years old	7	11	0	0	18
SUPPORT& IMPROV.	47	42	0	0	89
Up to 30 years old	3	4	0	0	7
From 31 to 50 years old	26	23	0	0	49
Over 50 years old	18	15	0	0	33
GENERAL MANAGEMENT	54	15	0	0	69
From 31 to 50 years old	33	8	0	0	41
Over 50 years old	21	7	0	0	28
MANAGERS	63	24	0	0	87
Up to 30 years old		2	0	0	2
From 31 to 50 years old	42	16	0	0	58
Over 50 years old	21	6	0	0	27
MAINTENANCE	123	3	0	0	126
Up to 30 years old	5	0	0	0	5
From 31 to 50 years old	98	3	0	0	101
Over 50 years old	20	0	0	0	20
OPERATORS	277	36	0	0	313
Up to 30 years old	25	17	0	0	42
From 31 to 50 years old	228	19	0	0	247
Over 50 years old	24	0	0	0	24
TEAM MANAGER	69	5	0	0	74
Up to 30 years old	1	0	0	0	1
From 31 to 50 years old	48	4	0	0	52
Over 50 years old	20	1	0	0	21
TECHNICIANS	200	133	1	1	335
Up to 30 years old	27	28	0	0	55
From 31 to 50 years old	134	98	1	1	234
Over 50 years old	39	7	0	0	46
Overall total	**848**	**298**	**1**	**1**	**1,148**

Workforce at the end of 2021 by professional group, age, gender and country

Professional group/Age	SPAIN		PORTUGAL		TOTAL
	Men	Women	Men	Women	
ADMINISTRATIVE WORKERS	16	45	0	0	61
Up to 30 years old	2	2	0	0	4
From 31 to 50 years old	7	32	0	0	39
Over 50 years old	7	11	0	0	18
SUPPORT& IMPROV.	45	47	0	0	92
Up to 30 years old	3	8	0	0	11
From 31 to 50 years old	26	26	0	0	52
Over 50 years old	16	13	0	0	29
GENERAL MANAGEMENT	48	14	0	0	62
From 31 to 50 years old	28	10	0	0	38
Over 50 years old	20	4	0	0	24

MANAGERS	60	21	0	0	81
Up to 30 years old		2	0	0	2
From 31 to 50 years old	44	13	0	0	57
Over 50 years old	16	6	0	0	22
MAINTENANCE	135	3	0	0	138
Up to 30 years old	9	2	0	0	11
From 31 to 50 years old	104	1	0	0	105
Over 50 years old	22	0	0	0	22
OPERATORS	284	27	0	0	311
Up to 30 years old	34	12	0	0	46
From 31 to 50 years old	224	15	0	0	239
Over 50 years old	26		0	0	26
TEAM MANAGER	68	4	0	0	72
Up to 30 years old	1	0	0	0	1
From 31 to 50 years old	50	3	0	0	53
Over 50 years old	17	1	0	0	18
TECHNICIANS	196	118	1	1	316
Up to 30 years old	34	30	0	0	64
From 31 to 50 years old	130	85	1	1	217
Over 50 years old	32	3	0	0	35
Overall total	**852**	**279**	**1**	**1**	**1,133**

Workforce at the end of 2023 by contract type, age, gender, professional cat. and country					
Type of contract/Age	SPAIN		PORTUGAL		TOTAL
	Men	Women	Men	Women	
PERMANENT	**871**	**305**	**3**	**2**	**1,181**
ADMINISTRATIVE WORKERS	17	35	0	0	52
Up to 30 years old	0	1	0	0	1
From 31 to 50 years old	10	22	0	0	32
Over 50 years old	7	12	0	0	19
SUPPORT& IMPROV.	44	39	0	0	83
Up to 30 years old	1	3	0	0	4
From 31 to 50 years old	25	21	0	0	46
Over 50 years old	18	15	0	0	33
GENERAL MANAGEMENT	57	19	0	0	76
Up to 30 years old	0	0	0	0	0
From 31 to 50 years old	31	13	0	0	44
Over 50 years old	26	6	0	0	32
MANAGERS	69	31	0	0	100
Up to 30 years old	1	4	0	0	5
From 31 to 50 years old	47	21	0	0	68
Over 50 years old	21	6	0	0	27
MAINTENANCE	118	0	0	0	118
Up to 30 years old	3	0	0	0	3
From 31 to 50 years old	93	0	0	0	93
Over 50 years old	22	0	0	0	22

OPERATORS	280	29	0	0	309
Up to 30 years old	16	8	0	0	24
From 31 to 50 years old	234	20	0	0	254
Over 50 years old	30	1	0	0	31
TEAM MANAGER	69	5	0	0	74
Up to 30 years old	1	0	0	0	1
From 31 to 50 years old	47	4	0	0	51
Over 50 years old	21	1	0	0	22
TECHNICIANS	217	147	3	2	369
Up to 30 years old	26	25	1	1	53
From 31 to 50 years old	146	114	2	1	263
Over 50 years old	45	8	0	0	53

Workforce at the end of 2023 by contract type, age, gender, professional cat. and country					
Type of contract/Age	SPAIN		PORTUGAL		TOTAL
	Men	Women	Men	Women	
TEMPORARY	**42**	**39**	**0**	**0**	**81**
ADMINISTRATIVE WORKERS	0	5	0	0	5
Up to 30 years old	0	1	0	0	1
From 31 to 50 years old	0	3	0	0	3
Over 50 years old	0	1	0	0	1
SUPPORT& IMPROV.	5	4	0	0	9
Up to 30 years old	1	1	0	0	2
From 31 to 50 years old	4	3	0	0	7
Over 50 years old	0	0	0	0	0
MAINTENANCE	12	1	0	0	13
Up to 30 years old	2	0	0	0	2
From 31 to 50 years old	10	1	0	0	11
Over 50 years old	0	0	0	0	0
OPERATORS	19	18	0	0	37
Up to 30 years old	10	7	0	0	17
From 31 to 50 years old	9	11	0	0	20
Over 50 years old	0	0	0	0	0
TECHNICIANS	6	11	0	0	17
Up to 30 years old	3	6	0	0	9
From 31 to 50 years old	2	5	0	0	7
Over 50 years old	1	0	0	0	1
Overall total	**913**	**344**	**3**	**2**	**1,262**

Workforce at the end of 2022 by contract type, age, gender, professional cat.and country					
Type of contract/Age	SPAIN		PORTUGAL		TOTAL
	Men	Women	Men	Women	
PERMANENT	811	264	1	1	1,077
ADMINISTRATIVE WORKERS	14	31	0	0	45
Up to 30 years old	1	0	0	0	1
From 31 to 50 years old	6	20	0	0	26
Over 50 years old	7	11	0	0	18

SUPPORT& IMPROV.	45	40	0	0	85
Up to 30 years old	1	2	0	0	3
From 31 to 50 years old	26	23	0	0	49
Over 50 years old	18	15	0	0	33
GENERAL MANAGEMENT	54	15	0	0	69
Up to 30 years old	0	0	0	0	0
From 31 to 50 years old	33	8	0	0	41
Over 50 years old	21	7	0	0	28
MANAGERS	63	24	0	0	87
Up to 30 years old	0	2	0	0	2
From 31 to 50 years old	42	16	0	0	58
Over 50 years old	21	6	0	0	27
MAINTENANCE	119	0	0	0	119
Up to 30 years old	4	0	0	0	4
From 31 to 50 years old	95	0	0	0	95
Over 50 years old	20	0	0	0	20
OPERATORS	261	20	0	0	281
Up to 30 years old	16	7	0	0	23
From 31 to 50 years old	221	13	0	0	234
Over 50 years old	24	0	0	0	24
TEAM MANAGER	69	5	0	0	74
Up to 30 years old	1	0	0	0	1
From 31 to 50 years old	48	4	0	0	52
Over 50 years old	20	1	0	0	21
TECHNICIANS	186	129	1	1	317
Up to 30 years old	17	25	0	0	42
From 31 to 50 years old	132	97	1	1	231
Over 50 years old	37	7	0	0	44

Workforce at the end of 2022 by contract type, age, gender, professional cat. and country					
Type of contract/Age	SPAIN		PORTUGAL		TOTAL
	Men	Women	Men	Women	
TEMPORARY	37	34	0	0	71
ADMINISTRATIVE WORKERS	1	9	0	0	10
Up to 30 years old	1	1	0	0	2
From 31 to 50 years old	0	8	0	0	8
Over 50 years old	0	0	0	0	0
SUPPORT& IMPROV.	2	2	0	0	4
Up to 30 years old	2	2	0	0	4
From 31 to 50 years old	0	0	0	0	0
Over 50 years old	0	0	0	0	0
MAINTENANCE	4	3	0	0	7
Up to 30 years old	1	0	0	0	1
From 31 to 50 years old	3	3	0	0	6
Over 50 years old	0	0	0	0	0
OPERATORS	16	16	0	0	32
Up to 30 years old	9	10	0	0	19
From 31 to 50 years old	7	6	0	0	13

Over 50 years old	0	0	0	0	0
TECHNICIANS	14	4	0	0	18
Up to 30 years old	10	3	0	0	13
From 31 to 50 years old	2	1	0	0	3
Over 50 years old	2	0	0	0	2
Overall total	848	298	1	1	1,148

Workforce at the end of 2021 by contract type, age, gender, professional cat. and country					
Type of contract/Age	SPAIN		PORTUGAL		TOTAL
	Men	Women	Men	Women	
PERMANENT	785	236	1	1	1,023
ADMINISTRATIVE WORKERS	13	37	0	0	50
Up to 30 years old	0	0	0	0	0
From 31 to 50 years old	6	26	0	0	32
Over 50 years old	7	11	0	0	18
SUPPORT& IMPROV.	43	40	0	0	83
Up to 30 years old	1	2	0	0	3
From 31 to 50 years old	26	25	0	0	51
Over 50 years old	16	13	0	0	29
GENERAL MANAGEMENT	48	14	0	0	62
Up to 30 years old	0	0	0	0	0
From 31 to 50 years old	28	10	0	0	38
Over 50 years old	20	4	0	0	24
MANAGERS	60	21	0	0	81
Up to 30 years old	0	2	0	0	2
From 31 to 50 years old	44	13	0	0	57
Over 50 years old	16	6	0	0	22
MAINTENANCE	110	0	0	0	110
Up to 30 years old	3	0	0	0	3
From 31 to 50 years old	85	0	0	0	85
Over 50 years old	22	0	0	0	22
OPERATORS	258	8	0	0	266
Up to 30 years old	21	0	0	0	21
From 31 to 50 years old	211	8	0	0	219
Over 50 years old	26	0	0	0	26
TEAM MANAGER	68	4	0	0	72
Up to 30 years old	1	0	0	0	1
From 31 to 50 years old	50	3	0	0	53
Over 50 years old	17	1	0	0	18
TECHNICIANS	185	112	1	1	299
Up to 30 years old	26	26	0	0	52
From 31 to 50 years old	127	83	1	1	212
Over 50 years old	32	3	0	0	35

Workforce at the end of 2021 by contract type, age, gender, professional cat. and country					
Type of contract/Age	SPAIN		PORTUGAL		TOTAL
	Men	Women	Men	Women	
TEMPORARY	67	43	0	0	110
ADMINISTRATIVE WORKERS	3	8	0	0	11
Up to 30 years old	2	2	0	0	4
From 31 to 50 years old	1	6	0	0	7
Over 50 years old	0	0	0	0	0
SUPPORT& IMPROV.	2	7	0	0	9
Up to 30 years old	2	6	0	0	8
From 31 to 50 years old	0	1	0	0	1
Over 50 years old	0	0	0	0	0
MAINTENANCE	25	3	0	0	28
Up to 30 years old	6	2	0	0	8
From 31 to 50 years old	19	1	0	0	20
Over 50 years old	0	0	0	0	0
OPERATORS	26	19	0	0	45
Up to 30 years old	13	12	0	0	25
From 31 to 50 years old	13	7	0	0	20
Over 50 years old	0	0	0	0	0
TECHNICIANS	11	6	0	0	17
Up to 30 years old	8	4	0	0	12
From 31 to 50 years old	3	2	0	0	5
Over 50 years old	0	0	0	0	0
Overall total	852	279	1	1	1,133

2023 Workforce percentage by type of group, gender and country				
Type of group	SPAIN		PORTUGAL	
	Men	Women	Men	Women
Individual contract	63%	37%	60%	40%
CBA*	81%	19%	0%	0%
Overall total	**73%**	**27%**	**60%**	**40%**

**Collective Bargaining Agreement (CBA)*

2022 Workforce percentage by type of group, gender and country				
Type of group	SPAIN		PORTUGAL	
	Men	Women	Men	Women
Individual contract	65%	35%	50%	50%
CBA*	81%	19%		
Overall total	**74%**	**26%**	**50%**	**50%**

**Collective Bargaining Agreement (CBA)*

2021 Workforce percentage by type of group, gender and country				
Type of group	SPAIN		PORTUGAL	
	Men	Women	Men	Women
Individual contract	67%	33%	50%	50%
CBA*	81%	19%		
Overall total	**75%**	**25%**	**50%**	**50%**

**Collective Bargaining Agreement (CBA)*

No. of people by end of 2023 by group, gender and country.

Type of contract	SPAIN		PORTUGAL		TOTAL
	Men	Women	Men	Women	
Individual contract	349	209	3	2	563
CBA*	564	135			699
Overall total	**913**	**344**	**3**	**2**	**1,262**

**Collective Bargaining Agreement (CBA)*

No. of people by end of 2022 by group, gender and country.					
Type of contract	SPAIN		PORTUGAL		TOTAL
	Men	Women	Men	Women	
Individual contract	317	171	1	1	490
CBA*	531	127			658
Overall total	**848**	**298**	**1**	**1**	**1,148**

**Collective Bargaining Agreement (CBA)*

No. of people by end of 2021 by group, gender and country.					
Type of contract	SPAIN		PORTUGAL		TOTAL
	Men	Women	Men	Women	
Individual contract	304	151	1	1	457
CBA*	548	128			676
Overall total	**852**	**279**	**1**	**1**	**1,133**

2023 Redundancies		Spain			Portugal		
		Men	Women	Total	Men	Women	Total
General management		3	0	3	0	0	0
	> 50 years old	3	0	3	0	0	0
Managers		1	0	1	0	0	0
	> 50 years old	1	0	1	0	0	0
Technicians		1	1	2	0	0	0
	31 to 50 years old	0	1	1	0	0	0
	Up to 30 years old	1	0	1	0	0	0
Total		**5**	**1**	**6**	**0**	**0**	**0**

2022 Redundancies		Spain			Portugal		
		Men	Women	Total	Men	Women	Total
General management		3	0	3	0	0	0
	31 to 50 years old	1	0	1	0	0	0
	> 50 years old	2	0	2	0	0	0
Technicians		3	2	5	2	0	2
	31 to 50 years old	0	2	2	0	0	0
	Up to 30 years old	0	0	0	2	0	2
	> 50 years old	3	0	3	0	0	0
Total		**6**	**2**	**8**	**2**	**0**	**2**

2021 Redundancies		Spain			Portugal		
		Men	Women	Total	Men	Women	Total
General management		1	0	1	0	0	0
	> 50 years old	1	0	1	0	0	0
Managers		1	0	1	0	0	0
	31 to 50 years old	1	0	1	0	0	0
Support& Improv.		1	0	1	0	0	0
	31 to 50 years old	1	0	1	0	0	0
Technicians		4	0	4	0	0	0
	31 to 50 years old	3	0	3	0	0	0
	Up to 30 years old	1	0	1	0	0	0
Total		**7**	**0**	**7**	**0**	**0**	**0**

Remuneration of employees

Average remuneration 2023 by professional group (€)						
Professional group	ENCE Group (excluding Ence Terra)			Ence Terra		
	Men	Women	TOTAL	Men	Women	TOTAL
General Mgmt.	181,667.9	167,948.5	178,969.0	-	-	-
Managers	95,850.6	101,375.8	97,285.7	-	-	-
Technicians	57,686.5	52,196.0	55,435.6	-	-	-
Team managers	66,789.9	68,897.5	66,913.9	-	-	-
Operators	52,687.6	39,255.5	49,069.5	20,344.7	20,431.8	20,388.2
Maintenance	49,132.6	44,837.8	49,018.5			
Support& Improv.	55,732.4	53,269.8	54,954.8	22,107.9	26,670.2	25,814.8
Administrative workers	47,105.9	49,308.0	48,792.7	-	-	-
Average remuneration	**67,130.5**	**56,786.6**	**64,136.8**	**21,226.3**	**25,500.5**	**24,334.8**

Average remuneration 2022 by professional group (€)						
Professional group	ENCE Group (excl.Ence Terra)			Ence Terra		
	Men	Women	TOTAL	Men	Women	TOTAL
General Mgmt.	168,332.2	138,847.9	160,167.3	-	-	-
Managers	95,774.1	90,938.7	94,184.4	-	-	-
Technicians	57,924.4	49,918.2	54,857.5	-	-	-
Team managers	64,581.8	75,874.7	65,192.3	-	-	-
Operators	49,841.0	35,977.3	46,583.0	-	-	-
Maintenance	45,863.8	38,033.5	45,608.4	-	-	-
Support& Improv.	49,683.5	49,724.3	49,696.8	24,064.3	23,926.8	23,958.5
Administrative workers	44,831.1	42,527.8	43,080.6	-	-	-
Average remuneration	**65,985.3**	**56,817.4**	**63,250.8**	**24,064.3**	**23,926.8**	**23,958.5**

Average remuneration 2021 by professional group (€)						
Professional group	ENCE Group (excl.Ence Terra)			Ence Terra		
	Men	Women	TOTAL	Men	Women	TOTAL
General Mgmt.	155,169.5	132,256.5	149,117.0	-	-	-
Managers	87,923.9	91,695.2	88,880.1	-	-	-
Technicians	54,821.8	49,491.5	52,853.4	-	-	-
Team managers	59,576.5	65,187.5	59,877.1	-	-	-
Operators	45,087.8	37,419.5	44,180.3	-	-	-
Maintenance	41,747.6	42,199.7	41,750.5	-	-	-
Support& Improv.	49,503.1	41,936.7	46,500.6	20,713.4	22,696.6	22,426.2
Administrative workers	41,020.1	41,275.0	41,207.5	-	18,606.9	18,606.9
Total average remuneration	**55,404.4**	**52,808.2**	**54,789.2**	**20,713.4**	**22,492.2**	**22,260.1**

Average remuneration by professional group (€)	2021		2022		2023	
	ENCE Group (excl. Ence Terra)	Ence Terra	ENCE Group (excl. Ence Terra)	Ence Terra	ENCE Group (excl.Ence Terra)	Ence Terra
General management	149,117.0	-	160,167.3	0	178,969.0	-
Managers	88,880.1	-	94,184.4	0	97,285.7	-
Technicians	52,853.4	-	54,857.5	0	55,435.6	-
Team managers	59,877.1	-	65,192.3	0	66,913.9	-
Operators	44,180.3	-	46,583.0	0	49,069.5	20,388.2
Maintenance	41,750.5	-	45,608.4	0	49,018.5	-
Support and improvement	46,500.6	22,426.2	49,696.8	23,958.5	54,954.8	25,814.8
Administrative workers	41,207.5	18,606.9	43,080.6	0.0	48,792.7	-
Total	**54,789.2**	**22,260.1**	**63,250.8**	**23,958.5**	**64,136.8**	**24,334.8**

Average remuneration by age (€)	2021		2022		2023	
	ENCE Group (excl. Ence Terra)	Ence Terra	ENCE Group (excl. Ence Terra)	Ence Terra	ENCE Group (excl. Ence Terra)	Ence Terra
Up to 30 years old	40,860.2	-	41,204.6	-	43,195.7	20,475.3
31 to 50 years old	53,727.0	21,672.5	60,748.8	23,797.6	61,347.0	24,146.1
> 50 years old	74,359.0	22,901.2	86,334.5	24,146.3	87,011.6	25,423.1
Total	**54,789.2**	**22,260.1**	**63,251.0**	**23,959.0**	**64,136.8**	**24,334.8**

Average remuneration by gender (€)	2021		2022		2023	
	ENCE Group (excl. Ence Terra)	Ence Terra	ENCE Group (excl. Ence Terra)	Ence Terra	ENCE Group (excl. Ence Terra)	Ence Terra

Men	55,404.4	20,713.4	65,985.0	24,064.0	67,130.5	21,226.3
Women	52,808.2	22,492.2	56,817.0	23,927.0	56,786.6	25,500.5
Total	**54,789.2**	**22,260.1**	**63,251.0**	**23,959.0**	**64,136.8**	**24,334.8**

Gender distribution by quartiles	2021				2022				2023			
	ENCE Group (excl. Ence Terra)		Ence Terra		ENCE Group (excl.Ence Terra)		Ence Terra		ENCE Group (excl. Ence Terra)		Ence Terra	
Quartiles	M	F	M	F	M	F	M	F	M	F	M	F
Lower quartile	22.4 %	33.7 %	33.3 %	25.0 %	19%	40%	33%	20%	19%	40%	67%	25%
Lower Median Quartile	25.1 %	25.0 %	0%	30.0 %	26%	21%	33%	20%	24%	27%	17%	25%
Upper Median Quartile	28.1 %	15.2 %	66.7 %	20.0 %	28%	18%	0%	30%	29%	15%	17%	25%
Upper Quartile	24.5 %	26.1 %	0%	25.0 %	27%	21%	33%	30%	28%	18%	0%	25%

Proportion of employees in each wage band by quartiles	2021				2022				2023			
	ENCE Group (excl. Ence Terra)		Ence Terra		ENCE Group (excl. Ence Terra)		Ence Terra		ENCE Group (excl. Ence Terra)		Ence Terra	
Quartiles	M	F	M	F	M	F	M	F	M	F	M	F
Lower quartile	68%	32%	17%	83%	52%	48%	33%	67%	57%	43%	50%	50%
Lower Median Quartile	76%	24%	0%	100 %	75%	25%	33%	67%	69%	31%	20%	80%
Upper Median Quartile	86%	14%	33%	67%	79%	21%	0%	100 %	83%	17%	20%	80%
Upper Quartile	75%	25%	0%	100 %	75%	24%	25%	75%	79%	21%	0%	100 %

Proportion of employees receiving bonuses	2021				2022				2023			
	ENCE Group (excl. Ence Terra)		Ence Terra		ENCE Group (excl. Ence Terra)		Ence Terra		ENCE Group (excl.Ence Terra)		Ence Terra	
	M	F	M	F	M	F	M	F	M	F	M	F
% of employees receiving bonuses	93.8 %	85.5 %	100. 0%	100. 0%	92.0 %	90.0 %	100. 0%	100. 0%	90.1 %	83.6 %	54.0 %	96.0 %

Proportion of employees receiving bonuses Mgmt.Comm.	2021		2022		2023	
	ENCE Group (excluding Ence Terra)		ENCE Group (excluding Ence Terra)		ENCE Group (excluding Ence Terra)	
	M	F	M	F	M	F
% of employees receiving bonus CD	100.0%	100.0%	80.0%	100.0%	100.0%	100.0%

Training

Total hours of training by professional group and gender in 2023			
Professional group	Men	Women	Total
Administrative workers	53.5	264.0	317.5
Support and improvement Quality Control	1,037.0	1,327.5	2,364.5
Management	860.5	443.5	1,304.0
Managers	1,041.0	490.5	1,531.5
Maintenance	987.0	71.0	1,058.0
Operators	6,168.5	1,325.0	7,493.5
Team Leaders	1,283.5	71.5	1,355.0
Technicians	3,029.5	2,529.0	5,558.5
Overall total	**14,460.5**	**6,522.0**	**20,982.5**

Total hours of training by professional group and gender in 2022			
Professional group	Men	Women	Total
Administrative workers	149.5	337.0	486.5
Support and improvement Quality Control	1,218.0	1,453.5	2,671.5
Management	996.0	333.5	1,329.5
Managers	1,191.5	582.5	1,774.0
Maintenance	1,729.5	48.5	1,778.0
Operators	5,997.0	902.5	6,899.5
Team Leaders	1,332.5	64.0	1,396.5
Technicians	3,207.0	2,417.5	5,624.5
Overall total	**15,821.0**	**6,139.0**	**21,960.0**

Total hours of training by professional group and gender in 2021			
Professional group	Men	Women	Total
Administrative workers	1,659.1	69.0	1,728.1
Support and improvement Quality Control	1,349.2	553.2	1,902.4
Management	2,890.8	2,116.6	5,007.4
Managers	104.3	278.4	382.7
Maintenance	6,219.3	784.8	7,004.1
Operators	1,454.0	64.3	1,518.3
Team Leaders	830.6	378.3	1,208.9
Technicians	756.9	760.3	1,517.2
Overall total	**15,264.2**	**5,004.9**	**20,269.1**

Protecting health and the environment

Number of accidents:

No. of accidents	2021				2022				2023			
	OS		ES		OS		ES		OS		ES	
Type	L	WL	L	WL	L	WL	L	WL	L	WL	L	WL
Pulp	4	17	1	12	3	19	0	10	8	22	2	14
Energy	0	3	0	15	4	2	3	9	1	0	0	5
Forestry	1	5	17	2	0	5	16	8	3	1	18	13
Total	**77**				**79**				**87**			

OS: Own staff; ES: External Staff L: Leave NL: No leave

Contents	2023				
	Internal Staff		External Staff		Total
Frequency Rate	M	F	M	F	Total
Pulp	7.263	3.777	2.701	0.000	4.918
Energy	4.760	0.000	0.000	0.000	1.023
Forestry	7.506	7.210	11.420	32.120	11.237
Severity Rate	M	F	M	F	Total
Pulp	0.454	0.480	0.092	0.000	0.311
Energy	0.019	0.000	0.288	0.000	0.189
Forestry	0.248	0.598	0.879	0.498	0.756

Contents	2022					2021				
	Internal Staff		External Staff		Total	Internal Staff		External Staff		Total
FI	M	F	M	F	Total	M	F	M	F	Total
Cellulose	1.900	5.570	0.000	0.000	1.510	3.229	6.319	1.705	0.000	2.842
Energy	12.970	14.980	3.960	0.000	6.010	0.000	0.000	0.000	0.000	0.000
Forestry	0.000	0.000	13.030	0.000	9.440	4.100	0.000	13.545	31.754	11.665
SI	M	F	M	F	Total	M	F	M	F	Total
Cellulose	0.054	0.457	0.000	0.000	0.070	0.152	0.158	0.428	0.000	0.237
Energy	0.056	0.150	0.228	0.000	0.168	0.000	0.000	0.052	0.000	0.035
Forestry	0.000	0.000	0.615	0.000	0.446	0.062	0.000	0.809	0.111	0.595

IF= Frequency Rate. IG= Severity Index.

Note: Cellulose: includes cellulose business (biofactories); Energy: includes energy business (independent power plants); Forestry: includes Forestry procurement, Ence's forest assets and Biomass supply; Forestry: includes Forestry procurement, Ence's forest assets Heritage and Biomass supply

Fuel consumption

Coke consumption (TJ)			
Site	2021	2022	2023
Pontevedra	61.8	0.006	0
Total	**61.8**	**0.006**	**0**

No coke consumption during the year 2023 because, as a measure to reduce the company's carbon footprint, the use of this fossil fuel was discontinued, and the consumption reflected in 2022 corresponds to the carryover from previous years.

Biomethanol consumption (TJ)			
Site	2021	2022	2023
Navia	-	-	184.08
Pontevedra	-	-	59.82
Total	**-**	**-**	**243.90**

As part of Ence's Decarbonisation Plan, one of the measures for 2023 is the introduction of biomethanol to replace fossil fuels.

Fuel consumption (TJ)			
Site	2021	2022	2023
Navia	256.1	1,072.1	418.3
Pontevedra	827.7	620.6	861.8
Huelva	23.3	30.7	47.6
Total	**1,107.10**	**1,723.40**	**1,327.7**

The decrease in Navia's fuel oil consumption compared to the previous year was due to the substitution of natural gas for fuel oil in the lime kilns during 2022.

The increase in fuel consumption in Pontevedra is due to in 2022 the plant was not operational for 12 months of the year.
The increase in fuel consumption in Huelva is due to higher consumption due to increased start-up and shut-down cycles.

Propane consumption (TJ)			
Site	2021	2022	2023
Navia	0.1	0.1	0.1
Pontevedra	0.3	1.4	1.6
Huelva	0.0	0.0	0.1
Total	**0.4**	**1.4**	**1.7**

Biomass consumption (TJ)			
Site	2021	2022	2023
Navia	3,093.0	2,752.2	3,060.6
Pontevedra	1,976.8	1,431.3	1,950.7
Huelva	8,063.1	10,447.4	6,909.7
Merida	1,936.5	1,917.2	1,509.5
Enemansa	1,550.0	1,090.8	0.0
La Loma	1,356.0	1,209.9	1,051.5
Lucena	1,468.0	1,431.6	780.6
Biollano	3,270.9	3,273.0	2,253.5
Total	**22,714.4**	**23,553.3**	**17,516.2**

The decrease in biomass consumption in Huelva, Biollano and Lucena is due to the plants have not been operational 12 months of the year. In the case of Enemansa, the plant had no activity in 2023.

Black liquor consumption (TJ)			
Site	2021	2022	2023
Navia	10,658.0	10,175.1	10,268.7
Pontevedra	5,939.6	3,776.5	5,758.2
Total	**16,597.6**	**13,951.7**	**16,026.9**

The increase in black liquor consumption in Pontevedra is due to in 2022 the plant was not operational for 12 months of the year.

Natural gas consumption (TJ)			
Site	2021	2022	2023
Navia	870.4	47.8	603.1
Lucena	958.4	722.0	757.3
Total	**1,828.8**	**769.8**	**1,360.3**

The increase in natural gas consumption in Navia is due to the substitution of fuels in the lime kilns. In 2022, a majority of fuel oil was used and in 2023, a majority of natural gas was used again.

Diesel A consumption (TJ)			
Site	2021	2022	2023
Navia	0.0	0.1	0.0
Lucena	N/A	0.2	N/A
Total	**0.0**	**0.3**	**0.0**

Diesel B consumption (TJ)			
Site	2021	2022	2023
Navia	0.1	0.4	0.1
Pontevedra	1.3	13.5	170.9
Huelva	18.5	9.9	5.9
Merida	0.3	0.8	2.9
Lucena	n.a.	n.a.	0.5
Enemansa	n.a.	n.a.	0.1
La Loma	n.a.	n.a.	1.4
Biollano	n.a.	n.a.	4.2
Total	**20.2**	**24.6**	**186.0**

The increase in diesel consumption in Pontevedra is due to the occasional use of back-up generators in 2023.
For the Enemansa, La Loma, Lucena and Biollano plants, diesel B consumption is the first year that Ence has data available.

Diesel C consumption (TJ)			
Site	2021	2022	2023
Enemansa	12.5	5.6	0.2
La Loma	4.1	4.3	4.6
Biollano	1.0	0.6	0.4
Total	**17.6**	**10.5**	**5.2**

The decrease in Enemansa's diesel C consumption is due to the plant has had no activity in 2023.

Electricity

Electricity generation (GWh)			
Site	2021	2022	2023
Navia	601.0	597.2	577.6
Pontevedra	275.6	147.6	164.6

Electricity generation (GWh)			
Huelva	663.6	836.5	525.8
Merida	169.3	156.6	126.6
Enemansa	115.6	81.2	0.0
La Loma	105.9	93.7	79.6
Lucena	198.3	158.3	115.7
Biollano	314.7	302.7	194.7
Total	**2,444.0**	**2,373.8**	**1,784.6**

The decrease in electricity generation in Huelva, Mérida, Biollano, La Loma and Lucena is due to the plants have not been operational all 12 months of the year. In the case of Enemansa, the plant had no activity in 2023.

Electricity sales (GWh)			
Site	2021	2022	2023
Navia	565.6	561.9	259.1
Pontevedra	265.8	136.5	6.3
Huelva	612.2	767.1	479.0
Merida	152.0	140.1	113.0
Enemansa	101.6	70.5	0.0
La Loma	92.0	80.9	69.0
Lucena	183.5	145.8	108.4
Biollano	288.9	277.0	177.9
Total	**2,261.6**	**2,179.9**	**1,212.7**

The decrease in the sale of electricity from Navia and Pontevedra is due to during 2023 these two facilities will be in a self-consumption regime, i.e. part of the energy they generate is self-consumed, which means that the sale and consumption from the grid will be reduced. The decrease in electricity sales in Huelva, Mérida, Biollano, La Loma and Lucena is due to the plants have not been operational all 12 months of the year. In the case of Enemansa, the plant had no activity in 2023.

Grid electricity consumption (GWh)			
Site	2021	2022	2023
Navia	315.4	303.6	36.5
Pontevedra	248.9	153.6	53.1
Huelva	21.4	17.6	21.4
Merida	1.1	1.3	2.1
Enemansa	0.1	0.4	0.8
La Loma	0.6	0.7	1.0
Lucena	1.0	1.3	1.6
Biollano	1.3	1.1	2.5
Total	**589.7**	**479.7**	**119.0**

The decrease in electricity consumption from the grid in Navia and Pontevedra is due to in 2023 these two facilities will be in a self-consumption regime, i.e. part of the energy they generate is self-consumed, which means that the sale and consumption from the grid will be reduced.

Electricity self-consumption (GWh)			
Site	2021	2022	2023
Navia	30.8	30.8	313.9
Pontevedra	9.9	11.1	158.3
Huelva	51.4	70.5	47.5

Electricity self-consumption (GWh)			
Merida	17.3	17.0	13.9
Enemansa	14.0	10.7	0.0
La Loma	13.9	12.8	10.6
Lucena	14.8	12.5	7.3
Biollano	25.8	25.7	16.9
Total	**177.9**	**191.1**	**568.5**

In the case of Huelva and Mérida, as they have solar panels, the indicator includes self-consumption of photovoltaic energy (GWh). The increase in self-consumption of electricity in Pontevedra and Navia with respect to 2022 is due to during 2023 these two facilities are in self-consumption regime, i.e. part of the energy they generate is self-consumed, so that the sale and consumption of the grid is reduced. The decrease in electricity self-consumption in Huelva, Mérida, Biollano, La Loma and Lucena is due to the plants have not been operational all 12 months of the year. In the case of Enemansa, the plant had no activity in 2023.

Energy intensity (MWh/tAD)*			
Site	2021	2022	2023
Navia	0.5	0.5	0.06
Pontevedra	0.6	0.6	0.15

**Consumption of grid electricity between production. The decrease in the values in 2023 compared to 2022 is due to during 2023 these two installations are in self-consumption regime, i.e. part of the energy they generate is self-consumed, and, therefore, grid consumption is reduced.*

Energy intensity (GJ biomass/GWh)			
Site	2021	2022	2023
Huelva	12,151.2	12,488.9	13,140.6
Merida	11,440.3	12,242.3	11,927.0
Enemansa	13,402.6	13,429.0	0.0
La Loma	12,800.9	12,912.9	13,207.8
Lucena	13,688.9	14,818.0	15,297.7
Biollano	10,395.4	10,812.7	11,572.2

In the case of Enemansa, the plant had no activity in 2023.

Steam consumption

Cogeneration steam consumption (TJ)			
Site	2021	2022	2023
Navia	7,010.1	7,235.2	7,384.6
Pontevedra	7,179.3	3,233.6	4,603.1
Total	**14,189.4**	**10,468.8**	**11,987.7**

The increase in steam consumption in Pontevedra is due to in 2022 the plant was not operational for 12 months of the year.

Materials used by weight or volume

Soda consumption (t)			
Site	2021	2022	2023
Navia	13,666.0	14,720.2	14,947.3
Pontevedra	8,858.0	5,615.2	7,576.3
Huelva	898.6	1,051.1	571.3
Merida	0.5	0.3	0.1
Enemansa	22.5	12.5	0.0

Soda consumption (t)			
Lucena	10.5	8.4	4.5
La Loma	n.a.	n.a.	12.5
Biollano	1.3	2.2	0.7
Total	**23,457.4**	**21,409.8**	**23,112.8**

The increase in soda consumption in Pontevedra is due to in 2022 the plant was not operational for 12 months of the year. The decrease in soda consumption in Huelva, Mérida, Lucena and Biollano is due to the plants have not been operational all 12 months of the year. In the case of Enemansa, the plant had no activity in 2023.

Sulphuric acid consumption (t)			
Site	2021	2022	2023
Navia	16,663.0	16,237.0	17,290.5
Pontevedra	4,356.0	2,871.0	4,457.3
Huelva	142.4	51.7	43.3
Merida	11.2	8.1	5.8
Lucena	19.6	9.4	0.0
Biollano	19.4	26.8	20.2
Total	**21,211.6**	**19,204.0**	**21,817.2**

The increase in sulphuric acid consumption in Pontevedra is due to in 2022 the plant was not operational for 12 months of the year. The decrease in sulphuric acid consumption in Huelva, Mérida, Lucena and Biollano is due to the plants have not been operational all 12 months of the year.

Hydrogen peroxide consumption (t)			
Site	2021	2022	2023
Navia	3,973.0	4,032.7	4,496.4
Pontevedra	6,779.0	3,866.5	5,571.8
Total	**10,752.0**	**7,899.1**	**10,068.2**

The increase in the consumption of hydrogen peroxide in Pontevedra is due to in 2022 the plant was not operational for 12 months of the year.

Chlorate consumption (t)			
Site	2021	2022	2023
Navia	12,487.0	11,799.8	13,058.3
Total	**12,487.0**	**11,799.8**	**13,058.3**

Soda carbonate consumption (t)			
Site	2021	2022	2023
Navia	291.0	455.0	383.7
Pontevedra	46.0	8.7	0.0
Total	**337.0**	**463.7**	**383.7**

At the Pontevedra e 2023 plant, soda has been used instead of carbonate.

Calcium carbonate consumption (t)			
Site	2021	2022	2023
Navia	221.7	126.5	357.0
Pontevedra	0.0	0.0	10.3
Total	**221.7**	**126.5**	**367.3**

Oxygen consumption (t)			
Site	2021	2022	2023
Navia	12,776.0	14,096.4	14,673.0

Pontevedra	9,569.0	4,912.6	7,882.1
Total	**22,345.0**	**19,009.0**	**22,555.1**

The increase in oxygen consumption in Pontevedra is due to in 2022 the plant was not operational for 12 months of the year.

Ammonia consumption (t)			
Site	2021	2022	2023
Huelva	569.2	766.6	654.5
Merida	412.7	200.9	216.8
Enemansa	305.8	177.1	0.0
La Loma	287.4	238.9	227.5
Biollano	787.0	762.4	555.6
Total	**2,362.1**	**2,145.9**	**1,654.3**

The decrease in ammonia consumption in Huelva and Biollano is due to the plants have not been operational all 12 months of the year. In the case of Enemansa, the plant had no activity in 2023.

Sand consumption (t)			
Site	2021	2022	2023
Huelva	9,998.9	9,155.2	8,403.6
Total	**9,998.9**	**9,155.2**	**8,403.6**

Lime consumption (t)			
Site	2021	2022	2023
Navia	9,191.0	7,900.1	8,163.0
Pontevedra	3,585.8	1,701.2	3,152.7
Huelva	138.2	281.1	365.7
Merida	121.5	83.9	25.2
Biollano	9.0	105.2	125.1
Total	**13,045.5**	**10,071.5**	**11,831.7**

The increase in lime consumption in Pontevedra is due to in 2022 the plant was not operational for 12 months of the year. The decrease in lime consumption in Merida is due to the increased availability of other SO_2 abatement systems in 2023. At the Biollano plant, lime consumption has increased due to changes in the proportions of biomass consumed and its corresponding effect on emissions.

Hypochlorite consumption (t)			
Site	2021	2022	2023
Huelva	92.7	179.1	156.9
Merida	52.4	17.7	14.6
Enemansa	0.6	1.6	0.2
La Loma	n.a.	n.a.	1.5
Biollano	2.5	2.4	5.5
Lucena	81.5	58.8	29.8
Total	**229.7**	**259.5**	**208.6**

Hydrochloric acid consumption (t)			
Site	2021	2022	2023
Merida	11.4	2.0	0.5
Enemansa	19.2	9.6	0.0
La Loma	13.2	13.2	12.0
Lucena	99.6	84.0	21.6

Total	**143.4**	**108.8**	**34.1**

The decrease in hydrochloric acid consumption in Lucena and Mérida is due to the plants have not been operational all 12 months of the year. In the case of Enemansa, the plant had no activity in 2023.

Refrigerant gas consumption (kg)			
Site	2021	2022	2023
Navia	-	-	57.3
Pontevedra	-	-	1.4
Huelva	47.0	55.0	47.0
Merida	27.0	0.0	8.5
Enemansa	0.0	4.7	0.0
Lucena	0.0	0.4	0.0
La Loma	0.0	0.0	0.0
Biollano	0.0	0.0	0.0
Total	**74.0**	**60.1**	**114.2**

This is the first time that data on kg of refrigerant gases is reported for Navia and Pontevedra. The year-on-year variations in the consumption of refrigerant gases are due to maintenance and recharging of air-conditioning equipment.

Wrapping paper consumption (t)			
Material	2021	2022	2023
Navia	1,271.0	1,247.8	1,331.3
Pontevedra	1,170.0	578.1	900.6
Total	**2,441.0**	**1,825.9**	**2,231.9**

The increase in wrapping paper consumption in Pontevedra is due to in 2022 the plant was not operational for 12 months of the year.

Use of tied and unitised wire (t)			
Material	2021	2022	2023
Navia	1,259.0	1,370.4	1,434.7
Pontevedra	1,157.0	565.5	851.9
Total	**2,416.0**	**1,935.9**	**2,286.6**

The increase in wire consumption in Pontevedra is due toin 2022 the plant was not operational for 12 months of the year

Water consumption

Surface water consumption (thousands of m3)			
Site	2021	2022	2023
Navia	20,640.2	18,183.5	17,628.3
Pontevedra	12,462.4	6,817.9	10,201.1
Huelva	4,292.2	5,262.2	3,498.5
Merida	670.8	596.6	470.6
Biollano	983.2	962.1	714.7
Total	**38,168.7**	**31,822.3**	**32,513.3**

The increase in water consumption in Pontevedra is due to in 2022 the plant was not operational for 12 months of the year. At the Huelva, Mérida and Biollano plants, consumption has fallen due to the water saving measures implemented and lower production.

Groundwater consumption (thousands of m^3)			
Site	2021	2022	2023
Enemansa	30.4	21.3	0.9
Biollano	6.9	13.0	0.3
Total	**37.3**	**34.4**	**1.2**

The decrease in water consumption at Biollano is due to the plant has not been operational 12 months of the year. In the case of Enemansa, the plant had no activity in 2023.

Reused water consumption (thousands of m^3)			
Site	2021	2022	2023
Pontevedra	N/A	530.1	284.1
Lucena	526.9	511.3	319.7
Total	**526.9**	**1,041.4**	**604.9**

The reduction of reused water in Pontevedra is due to the completion in 2023 of the pilot project for the recirculation of effluent from the facility itself and the regeneration of water from the effluent of the municipal WWTP close to the plant.
The decrease in Lucena is due to the plant has not been operational for 12 months of the year.

Municipal water supply consumption (thousands of m^3)			
Site	2021	2022	2023
Huelva	22.0	22.4	51.5
La Loma	43.8	40.3	33.8
Lucena	0.6	0.5	0.5
Total	**66.4**	**63.1**	**85.8**

Total water consumption (thousands of m^3)			
Site	2021	2022	2023
Navia	20,640.2	18,183.5	17,628.3
Pontevedra	12,462.4	7,348.0	10,485.2
Huelva	3,434.2	5,284.6	3,550.1
Merida	670.8	596.6	470.6
Enemansa	30.4	21.3	0.3
La Loma	43.8	40.3	33.8
Lucena	527.5	511.8	320.2
Biollano	990.0	975.1	715.5
Total	**38,799.4**	**32,961.2**	**33,204.0**

Waste parameters

Effluents volume (thousands m^3)			
Site	2021	2022	2023
Navia	18,947.7	17,373.8	15,485.3
Pontevedra	10,744.7	6,200.6	9,299.3
Huelva	1,514.1	1,950.7	930.7
Merida	383.7	305.4	234.6
Enemansa	14.6	9.7	0.7
La Loma	12.7	13.4	11.3
Lucena	251.6	237.2	159.9

Effluents volume (thousands m^3)			
Biollano	428.7	370.1	265.2
Total	**32,297.7**	**26,460.9**	**26,386.9**

The increase in the volume of discharge in Pontevedra is due to in 2022 the plant was not operational for 12 months of the year. In power plants, the decrease is due to the plants have not been operational for 12 months of the year. In the case of Enemansa, the plant had no activity in 2023.

Discharge destination	
Site	Destination
Navia	Maritime-terrestrial public domain (MTPD) via underwater outfall
Pontevedra	Ría de Pontevedra through the Os Praceres urban WWTP underwater outfall
Huelva	MTPD Mouth of Tinto river
Merida	Guadiana channel
Enemansa	Villarta de San Juan WWTP
La Loma	La Parrilla stream
Lucena	X: 367,373, Y: 4,135,881, HUSO: 30
Biollano	River Ojailén

SS (mg/l)			
Site	2021	2022	2023
Navia	12.0	8.0	11.6
Pontevedra	< 19.5	14.2	11.2
Huelva	5.2	7.0	7.9
Merida	8.1	7.0	7.3
Enemansa	17.0	48.1	21.1
La Loma	4.4	3.2	2.1
Lucena	7.0	12.8	8.8
Biollano	13.6	18.4	5.0

pH			
Site	2021	2022	2023
Navia	7.7	7.8	7.7
Pontevedra	7.6	7.6	7.7
Huelva	7.2	7.4	7.3
Merida	7.8	8.2	8.0
Enemansa	8.1	8.1	7.9
La Loma	7.5	7.9	8.1
Biollano	7.9	7.8	7.6

COD (mg/l)			
Site	2021	2022	2023
Navia	73.0	107.0	133.0
Pontevedra	118.5	117.0	125.0
Merida	22.1	27.1	28.8
Enemansa	26.8	68.3	149.6
La Loma	27.0	25.0	28.5
Lucena	27.0	32.3	36.3
Biollano	64.3	52.8	34.5

The increase in COD at Enemansa is related to the shutdown of the plant in 2023.
The increase of the COD parameter in Navia is impacted by the strategy of decreasing water consumption which reduces the total volume of discharge and therefore increases the concentration.

Conductivity (µS/cm)			
Site	2021	2022	2023
Navia	3,053.0	2,987.2	3,222.5
Merida	801.8	903.2	740.3
Enemansa	2,420.3	3,146.0	1,212.7
Lucena	1,247.0	1,313.3	1,307.3
Biollano	722.6	674.2	605.8

The increase in conductivity in Navia is impacted by the strategy of decreasing water consumption which reduces the total volume of discharge and therefore increases the concentration.

BOD (mg/l)			
Site	2021	2022	2023
Navia	24.0	38.0	57.0
Pontevedra	< 8	9.0	8.0
Merida	4.3	3.7	4.4
Enemansa	6.9	16.8	36.2
Lucena	12.0	6.6	6.5
Biollano	N/A	N/A	N/A

The increase of the BOD parameter in Navia is impacted by the strategy of decreasing water consumption which reduces the total volume of discharge and therefore increases the concentration.
The changes in Enemansa's water analysis results are influenced by the plant shutdown maintained throughout 2023.

AOX (mg/l)			
Site	2021	2022	2023
Navia	0.0	0.5	1.0
Pontevedra	< 0.01	0.0	< 0.01
Biollano	0.2	N/A	N/A

The increase of the AOX parameter in Navia is impacted by the strategy of decreasing water consumption which reduces the total volume of discharge and therefore increases the concentration.

Total N (mg/l)			
Site	2021	2022	2023
Navia	2.3	1.3	1.6
Pontevedra	<9	8.4	5.3
Huelva	1.1	1.1	2.7
Merida	4.9	3.8	3.7
Enemansa	1.5	2.5	10.6

N in Enemansa is not total N but ammonia N

Total P (mg/l)			
Site	2021	2022	2023
Navia	1.1	1.0	0.9
Pontevedra	0.9	1.0	0.8
Huelva	1.0	0.3	0.1
Merida	0.2	0.3	0.2
Enemansa	0.6	1.7	3.6

Oils and grease (mg/l)			
Site	2021	2022	2023
Navia	<0.5	0.0	0.2
Huelva	2.5	0.7	0.2
Merida	0.5	0.5	0.5
Enemansa	0.5	0.5	0.5

Chlorides (mg/l)			
Site	2021	2022	2023
Merida	108.3	115.2	89.3

TOC (mg/l)			
Site	2021	2022	2023
Huelva	2.7	2.5	4.5

Sulphates (mg/l)			
Site	2021	2022	2023
Merida	142.5	132.6	127.1

Nitrates (mg/l)			
Site	2021	2022	2023
Merida	17.4	16.0	12.9

Free Residual Chlorine (mg/l)			
Site	2021	2022	2023
Huelva	0.1	0.1	0.10
Merida	0.05	0.06	0.06
Biollano	0.1	0.04	0.04

Trichloromethane (mg/l)			
Site	2021	2022	2023
Biollano	N/A	N/A	1.6

The parameter AOX has been replaced by trichloromethane in the plant from 2023.

Waste

Hazardous waste generation (t)			
Site	**2021**	**2022**	**2023**
Navia	147.0	108.7	72.3
Pontevedra	143.5	104.5	168.4
Huelva	127.3	165.8	82.9
Merida	3.6	5.1	7.3
Enemansa	1.1	2.3	1.3
La Loma	2.4	1.0	4.1
Lucena	0.7	2.8	1.4
Biollano	4.5	10.2	13.9

Hazardous waste generation (t)			
Total	**430.2**	**400.3**	**351.6**

Non-hazardous waste generation (thousands of t)			
Site	2021	2022	2023
Navia	50.1	48.6	46.9
Pontevedra	40.0	24.4	30.0
Huelva	185.8	182.8	156.8
Merida	39.3	37.9	32.9
Enemansa	9.4	6.4	0.0
La Loma	3.1	0.1	2.1
Lucena	0.0	0.0	6.8
Biollano	50.3	54.7	35.7
Total	**378.0**	**355.0**	**311.3**

Total waste generation (thousands of t)			
Site	2021	2022	2023
Navia	50.3	48.7	47.0
Pontevedra	40.2	24.5	30.2
Huelva	185.9	183.0	156.9
Merida	39.3	37.9	32.9
Enemansa	9.4	6.4	0.0
La Loma	3.1	0.1	2.1
Lucena	0.0	0.0	6.8
Biollano	50.3	54.7	35.8
Total	**378.4**	**355.4**	**311.7**

The increase in waste generation in Pontevedra is due to in 2022 the plant was not operational for 12 months of the year.
The increase in waste generation at Lucena is due to in 2023 both slag and ash were managed as waste, whereas in 2022 they were managed as a by-product.

Recovered waste (%)			
Site	2021	2022	2023
Navia	96.9%	96.8%	97.8%
Pontevedra	99.9%	99.9%	100%
Huelva	99.3%	99.1%	100%
Merida	100%	100%	100%
Enemansa	100%	100%	100%
La Loma	100%	100%	100%
Lucena	100%	100%	100%
Biollano	98.5%	100%	99.9%
Total	**99.0%**	**99.1%**	**99.6%**

Air emissions

For the Enemansa plant the data for NOx emissions, particulate matter, CO emissions, SO_2 emissions and ammonia emissions is zero because the plant has been idle for 2023.

The reductions in the remaining power plants are due to the shorter operating time in 2023 compared to 2022.

NOx emissions (t)			
Site	2021	2022	2023
Navia	1,421.7	1,367.4	1,330.9
Pontevedra	746.0	423.0	550.0
Huelva	573.7	697.0	480.0
Merida	209.3	142.2	138.4
Enemansa	120.8	80.3	0.0
La Loma	106.4	107.0	91.9
Lucena	403.0	353.0	217.0
Biollano	206.1	224.1	143.5
Total	**3,787.0**	**3,393.9**	**2,951.7**

Particulate matter emissions (t)			
Site	2021	2022	2023
Navia	43.2	48.3	57.6
Pontevedra	90.6	53.5	43.5
Huelva	4.5	7.8	7.5
Merida	5.3	4.4	4.9
Enemansa	0.5	0.5	0.0
La Loma	2.0	2.0	1.7
Lucena	38.0	36.3	18.6
Biollano	1.6	2.9	3.8
Total	**185.7**	**155.7**	**137.5**

The increase in particulate emissions at Navia is due to incidents in the electrostatic precipitators in the recovery boiler.

CO emissions (t)			
Site	2021	2022	2023
Pontevedra	152.2	79.1	113.0
Huelva	2,138.8	1,600.2	1,155.8
Merida	276.9	179.2	136.2
Enemansa	137.6	89.7	0.0
La Loma	474.1	429.9	329.5
Lucena	743.0	613.0	360.0
Biollano	233.5	178.8	85.8
Total	**4,156.1**	**3,170.0**	**2,180.2**

SH_2 emissions (t)			
Site	2021	2022	2023
Navia	0.6	1.4	1.4
Total	**0.6**	**1.4**	**1.4**

SO_2 emissions (t)			
Site	2021	2022	2023
Navia	98.2	16.6	14.3
Pontevedra	66.3	10.6	20.4
Huelva	101.2	56.8	69.8
Merida	44.3	34.7	28.9
Enemansa	0.2	0.3	0.0
La Loma	0.8	0.8	1.0
Lucena	99.0	64.1	47.1
Biollano	3.2	4.2	3.0
Total	**413.3**	**188.2**	**184.5**

The increase in SO_2 emissions in Pontevedra is due to in 2022 the plant was not operational for 12 months of the year.

NH_3 emissions (t)			
Site	2021	2022	2023
Huelva	16.7	18.1	11.9
Merida	n.a.	n.a.	7.2
Biollano	19.3	20.2	13.5
Enemansa	n.a.	0.4	0.0
La Loma	n.a.	2.4	2.2
Lucena	n.a.	n.a.	19.9
Total	**36.0**	**41.0**	**54.7**

HCl emissions (t)			
Site	2021	2022	2023
Huelva	4.9	6.6	3.0
Biollano	4.9	6.9	4.1
Total	**9.8**	**13.5**	**7.2**

Productions

Pulp production (t)			
Site	2021	2022	2023
Navia	577,434.8	576,996.3	614,032.0
Pontevedra	431,257.0	239,314.8	361,312.5
Total	**1,008,691.8**	**816,311.1**	**975,344.5**

Boosting the rural environment

Supply chain monitoring

Number of monitoring actions by category and type of material 2023 Undertaken sustainability inspections			
	Forestry service providers	Timber	Biomass
Annual internal audit	-	9	2
Purchase invoices	-	6	1
Third party sales invoices	-	18	
Forest management	1	-	-
On-site mountains	170	-	-
Documentary inspection	-	124	109
On-site inspection	-	84	52
Other	5	-	8
Origin verification programme	-	12	-
	176	**253**	**172**

Type of biomass supplied			
Type	2021	2022	2023
Agricultural	36.7%	45.1%	47.1%
Industrial	19.0%	12.8%	10.5%
Forestry	44.3%	42.1%	42.4%

Biodiversity

Listed and/or threatened flora in the woodlands of the north of the peninsula					
Scientific name	Dir. 92/43	National catalogue	Galician catalogue	Asturias Catalogue	IUCN Red List
Arnica montana	ANNEX V				LC
Dryopteris aemula			VU		LC
Ilex aquifolium				IE	
Narcissus bulbocodium	ANNEX V				LC
Narcissus cyclamineus	ANNEX II	LESRPE	VU		LC
Narcissus pseudonarcissus nobilis	ANNEX II	LESRPE	VU	IE	LC
Narcissus triandrus	ANNEX II	LESRPE			LC
Woodwardia radicans	ANNEX II	LESRPE	VU	IE	LC
Ruscus aculeatus	ANNEX V				

Listed and/or threatened flora in the Andalusian woodlands.				
Scientific name	National catalogue	Andalusian Catalogue	Dir. 92/43	IUCN Red List
Armeria velutina	LESRPE	LAESPE		
Asplenium billotii		LAESPE		
Carex acuta				LC
Dianthus hinoxianus		VU		
Erica andevalensis		LAESPE		NT
Erica lusitanica				LC
Fuirena pubescens				LC
Isoetes durieui		VU		
Loeflingia baetica		LAESPE		
Osmunda regalis				LC
Pinguicula lusitanica				LC
Quercus canariensis				DD
Spiranthes aestivalis	LESRPE		IV	
Ulex minor				LC

Vertebrate fauna in the woodlands managed by Ence in the north and south of the Iberian Peninsula with the highest level of protection listed in Annex I of the Birds Directive (2009/147/EC), Annexes II or IV of the Habitats Directive (92/43/EEC) or the Spanish, Galician, Asturian, Cantabrian and Andalusian catalogues of threatened species detected in the woodlands managed by Ence in Galicia, Asturias, Cantabria and Huelva. The corresponding protection categories and catalogues are specified.

Threatened species of fauna in the mountains managed by Ence of the northern and southern Iberian Peninsula								
Type	Scientific name	1	2	3	4	5	6	7
Amphibians and Reptiles	*Alytes cisternasii*	IV	RPE				LAESPE	NT
	Alytes obstetricans	IV	RPE					NT
	Anguis fragilis		RPE					LC
	Bufo spinosus							LC
	Chalcides bedriagai	IV	RPE				LAESPE	NT
	Chalcides striatus		RPE					LC
	Chioglossa lusitanica	II,IV	VU	VU				VU
	*Discoglossus galganoi**	II,IV	RPE					LC
	Epidalea calamita	IV	RPE				LAESPE	LC
	Hyla meridionalis	IV	RPE				LAESPE	NT
	Hyla molleri	IV	RPE	VU				NT
	Lacerta schreiberi	II,IV	RPE					NT
	Lissotriton boscai		RPE					LC
	Lissotriton helveticus		RPE					LC
	Natrix astreptophora		RPE				LAESPE	LC

Threatened species of fauna in the mountains managed by Ence of the northern and southern Iberian Peninsula								
Type	Scientific name	1	2	3	4	5	6	7
	Natrix maura		RPE				LAESPE	LC
	Pelophylax perezi	V						LC
	Pleurodeles walti		RPE				LAESPE	NT
	Podarcis bocagei		RPE					LC
	*Podarcis vaucheri**		RPE				LAESPE	
	Psammodromus algirus		RPE				LAESPE	LC
	*Iberian frog**	IV	RPE	VU				NT
	Grass frog	V	RPE	VU				LC
	Salamandra salamandra						LAESPE	NT
	Tarentola mauretanica		RPE				LAESPE	LC
	Timon lepidus		RPE					LC
	Triturus marmoratus	IV	RPE					LC
	Triturus pygmaeus		RPE				LAESPE	VU
	Vipera seoanei							LC
Birds	*Accipiter gentilis*		RPE	IE				LC
	Accipiter nisus		RPE				LAESPE	LC
	Aeghitalos caudatus		RPE				LAESPE	LC
	Aegypius monachus	I	VU				VU	NT
	Alauda arvensis		RPE					VU
	Alcedo atthis	I	RPE				LAESPE	EN
	Alectoris rufa							VU
	Anas platyrhynchos							LC
	Anthus pratensis		RPE				LAESPE	
	Anthus trivialis		RPE					
	Apus apus		RPE				LAESPE	VU
	Apus pallidus		RPE				LAESPE	LC
	Aquila adalberti	I	EN				EN	EN
	Aquila chrysaetos	I	RPE				LAESPE	NT
	Ardea cinerea		RPE				LAESPE	LC
	Bubo bubo	I	RPE				LAESPE	LC
	Buteo buteo		RPE				LAESPE	LC
	Caprimulgus europaeus	I	RPE					LC
	Caprimulgus ruficollis	I	RPE				LAESPE	VU
	Carduelis carduelis							LC
	Carduelis citrinella		RPE					NT
	Cecropis daurica		RPE				LAESPE	LC

Threatened species of fauna in the mountains managed by Ence of the northern and southern Iberian Peninsula								
Type	Scientific name	1	2	3	4	5	6	7
	Certhia brachydactyla		RPE				LAESPE	LC
	Cettia cetti		RPE				LAESPE	LC
	Chloris chloris							LC
	Ciconia ciconia	I	RPE				LAESPE	LC
	Ciconia nigra	I	VU				EN	VU
	Circaetus gallicus	I	RPE				LAESPE	LC
	Circus pygargus	I					VU	VU
	Cisticola juncidis		RPE				LAESPE	NT
	Coccothraustes coccothraustes	II,III	RPE				LAESPE	LC
	Columba palumbus							LC
	Corvus corax							LC
	Corvus corone							LC
	Coturnix coturnix							EN
	Cuculus canorus		RPE				LAESPE	LC
	Curruca communis		RPE					LC
	Curruca iberiae		RPE				LAESPE	
	Curruca melanocephala		RPE				LAESPE	LC
	Curruca undata	I	RPE				LAESPE	EN
	Cyanistes caeruleus		RPE				LAESPE	LC
	Cyanopica cooki		RPE				LAESPE	LC
	Delichon urbicum		RPE				LAESPE	LC
	Dendrocopos major		RPE				LAESPE	LC
	Emberiza calandra		RPE				LAESPE	LC
	Emberiza cia		RPE				LAESPE	LC
	Emberiza cirlus		RPE				LAESPE	LC
	Erithacus rubecula		RPE				LAESPE	LC
	Falco peregrinus	I	RPE					LC
	Falco subbuteo		RPE					EN
	Falco tinnunculus		RPE				LAESPE	EN
	Ficedula hypoleuca		RPE					
	Fringilla coelebs							LC
	Galerida theklae	I	RPE				LAESPE	LC
	Gallinulla chloropus							LC
	Garrulus glandarius							LC
	Gyps fulvus	I	RPE				LAESPE	LC
	Hieraaetus pennatus	I	RPE				LAESPE	LC
	Hippolais polyglotta		RPE				LAESPE	LC

Threatened species of fauna in the mountains managed by Ence of the northern and southern Iberian Peninsula								
Type	Scientific name	1	2	3	4	5	6	7
	Hirundo daurica		RPE				LAESPE	LC
	Hirundo rustica		RPE				LAESPE	VU
	Lanius meridionalis		RPE				LAESPE	EN
	Lanius senator		RPE				LAESPE	EN
	Larus fuscus							LC
	Larus michahellis							NT
	Linaria cannabina							LC
	Lophophanes cristatus		RPE				LAESPE	LC
	Lullula arborea	I	RPE				LAESPE	LC
	Luscinia megarhynchos		RPE				LAESPE	LC
	Merops apiaster		RPE				LAESPE	LC
	Milvus migrans	I	RPE				LAESPE	LC
	Milvus milvus	I	EN				EN	EN
	Monticola solitarius		RPE				LAESPE	LC
	Motacilla alba		RPE				LAESPE	LC
	Motacilla cinerea		RPE				LAESPE	LC
	Muscicapa striata		RPE					LC
	Nycticorax nycticorax	I	RPE				LAESPE	NT
	Oriolus oriolus		RPE				LAESPE	LC
	Parus major		RPE				LAESPE	LC
	Passer domesticus							LC
	Passer hispanoliensis							LC
	Periarus ater		RPE					LC
	Periparus ater		RPE					LC
	Pernis apivorus	I	RPE					NT
	Phalacrocorax carbo							LC
	Phoenicurus ochruros		RPE				LAESPE	LC
	Phylloscopus bonelli		RPE				LAESPE	LC
	Phylloscopus collybita		RPE				LAESPE	
	Phylloscopus ibericus		RPE				LAESPE	LC
	Phylloscopus trochilus		RPE					
	Picus sharpei		RPE				LAESPE	LC
	Picus viridis		RPE				LAESPE	LC
	Prunella modularis		RPE					LC
	Ptyonoprogne rupestris		RPE				LAESPE	LC
	Pyrrhula pyrrhula		RPE					LC
	Regulus ignicapilla		RPE				LAESPE	LC

Threatened species of fauna in the mountains managed by Ence of the northern and southern Iberian Peninsula								
Type	Scientific name	1	2	3	4	5	6	7
	Saxicola rubicola		RPE				LAESPE	LC
	Scolopax rusticola							DD
	Serinus serinus							LC
	Sitta europaea		RPE				LAESPE	LC
	Spinus spinus		RPE				LAESPE	NT
	Streptopelia turtur	II						VU
	Strix aluco		RPE				LAESPE	LC
	Sturnus unicolor		RPE					LC
	Sylvia atricapilla		RPE				LAESPE	LC
	Sylvia borin		RPE					LC
	Tringa ochropus		RPE				LAESPE	LC
	Troglodytes troglodytes		RPE				LAESPE	LC
	Turdus merula							LC
	Turdus philomelos							LC
	Turdus viscivorus		LC					LC
	Upupa epops		RPE				LAESPE	LC
Mammals	*Apodemus sylvaticus*							LC
	Canis lupus							NT
	Capreolus capreolus							LC
	Cervus elaphus							LC
	Erinaceus europaeus	IV						LC
	Genetta genetta	V						LC
	Herpestes ichneumon							LC
	Lepus granatensis							LC
	Lutra lutra	II,IV	RPE					LC
	Martes foina							LC
	Martes martes	V						LC
	Meles meles							LC
	Mustela nivalis							LC
	Mustela putorius	V						NT
	Oryctolagus cuniculus							LC
	Sciurus vulgaris							LC
	Sus scrofa							LC
	Talpa occidentalis							LC
	Vulpes vulpes							LC

*1. **Council Directive 92/43/EEC** of 21 May 1992 on the **conservation of natural habitats and of wild fauna and flora.** Annex II: species for whose conservation it is necessary to designate special areas of conservation. Priority species are indicated with an asterisk. Annex IV: Species requiring strict protection. Annex V: Species whose collection from the wild and whose exploitation may be subject to management measures. **Directive 2009/147/EC** of the European Parliament and of the Council of 30 November 2009 on the conservation of wild birds.*

*2. Royal Decree 139/2011 of 4 February, for the development of the **List of Wildlife Species under Special Protection Regime and the Spanish Catalogue of Threatened Species.** RPE = included in the List of Wild Species under Special Protection Regime; PE = In danger of extinction and VU = Vulnerable, both in the Spanish Catalogue of Threatened Species.*

*3. Decree 88/2007 of 19 April, regulating the **Galician Catalogue** of endangered species. PE = Endangered, VU = Vulnerable.*

*4. Decree 32/90 of 8 March, creating the **Regional Catalogue of endangered vertebrate fauna of the Principado de Asturias.** VU = Vulnerable; SHab = Sensitive to habitat alteration; IntEsp = Special concern.*

*5. Decree 120/2008 of 4 December, regulating the **Regional Catalogue of Threatened Species of Cantabria**. VU = Vulnerable; SHab = Sensitive to habitat alteration; IntEsp = Special concern. PE = Endangered*

*6. **Andalusian Catalogue of Threatened Species (LAESPE)**: Decree 23/2012 of 14 February regulating the conservation and sustainable use of wild flora and fauna and their habitats: VU= Vulnerable. EN = Endangered*

*7. **Atlas y Libro rojo de los Anfibios y Reptiles de España** (Pleguezuelos et al., 2002) and Libro Rojo de los mamíferos terrestres de España (Palomo et al., 2007): CR = Critically Endangered, EN = Endangered, VU = Vulnerable, NT = Near Threatened, DD = Data Deficient.*

Woodlands managed by Ence located in protected natural areas (Natura 2000 Network) in the northwest of the Iberian Peninsula		
UGF	PROTECTED AREA NAME	WOODLAND NAME
La Coruña	Carnota - Monte Pindo	Ferrañas
	Costa da Morte	Balares
	Esteiro do Tambre	Vilardante BAJA 2022
	Serra do Careón	Estivada Santiso
	Serra do Careón	Estivada Santiso P
	Serra do Xistral	Fraga de Balboa
Lugo	Serra do Xistral	Castrillan
	Serra do Xistral	Coto Mouro
	Serra do Xistral	Lombo Zarrido
	Serra do Xistral	Rua
Pontevedra	Monte Aloia	Tui Regal
	Lérez River	Gargallons
	Lérez River	Redonde
	Tea River	Barcia de Mera
	Tea River	Maceira
	Tea River	Santa Marina Castelanes
	Serra do Cando	Piccolo Cerdedo
Asturias	Cabo Busto-Luanco	Caru (Verdicio)
	Penarronda-Barayo	Island
	Penarronda-Barayo	Island 2
	Penarronda-Barayo	Valdepares
	Nalón River	Godos (Alv)
	Navia river	Armental
	Porcía River	Molios Novos
	Sierra Plana De La Borbolla	Cuesta (Alv)
Cantabria	Cueva del Rejo	Collovera (J.V. Abanillas)
	Cueva del Rejo	Monte Rojo
	Cueva del Rejo	Rojo (J.V. Luey)
	Rías Occiden and Duna Oyambre	Rubin

Woodlands managed by Ence located in protected natural areas (Natura 2000 Network) in the south of the Iberian Peninsula		
Province	Natural Area	Woodland
Huelva	Western Andévalo	Las Cortecillas
		LOS RUBIALES
	Tinto River Ecological Corridor	Carbonera and Others
		Colonos Berrocal and Others
		El Pastillo
		El Rincon
		Fontanar and Others
		Las Arrayadas
		Las Cumbrecillas
		Sierra De Rite
		Sierra De Rite Ii
		Tabladilla and Others
	Doñana North and West	La Cañada
	Peñas de Aroche	Peñas II
	Rivera de Chanza	Pasada del Abad
	Sierra Aracena and Picos Aroche	Campillo Alto
		Corte Sonoble and Others
		El Bravo
		El Calamon
		El Palomar
		Helechoso
		La Zarzuela
		Las Aliserillas
		Los Agudos
		Los Agudos II
		Los Barrancos
		Los Benitos
		Los Umbrizos
		Navafresno and Dehesa del Carrizal
		Risco Del Hombre and Others
		Santa Eulalia
		Valdesotella
	Srra Pelada and Rivera Aserrador	Alcalabocinos III
		Dehesa del Carmen Iii
		Gil Marquez
		La Bajena
Seville	Guadiamar River Ecological Corridor	Villa Emilia

Collaboration with the community

Tax contribution

Name of resident entities	
COMPANY	Tax ID
ANCEN SOLAR III, S.L.U.	B88577143
ANCEN SOLAR IV, S.L.U.	B88577192
ANCEN SOLAR V, S.L.U.	B88577168
BIOCH4 DEVELOPMENTS SL	B72651755
BIOENERGIA SANTAMARIA SA	A14595862
BIOFIBRAS DE GALICIA SL	B44820769
BIOGÁS ALMACELLES, S.L.U.	B44818557
BIOGÁS CARMONA, S.L.U.	B44818300
BIOGÁS SAN ESTEBAN, S.L.U.	B44818797
CELULOSA ENERGIA SA	A21203237
CELULOSAS DE ASTURIAS SA	A78380748
ENCE BIOGAS SL	B10871325
ENCE BIOMASA CORDOBA SL	B88493242
ENCE CO2 SLU	B88168018
ENCE ENERGIA CASTILLA Y LEON	B85749828
ENCE ENERGIA CASTILLA Y LEON D	B85919900
ENCE ENERGIA CELTA SL	B86538444
ENCE ENERGIA EXTREMADURA SLU	B85919850
ENCE ENERGIA HUELVA DOS SLU	B85981769
ENCE ENERGIA HUELVA SLU	B85749869
ENCE ENERGIA PUERTOLLANO 2, S.	B01629492
ENCE ENERGIA Y CELULOSA SA	A28212264
ENCE ENERGÍA ESTE S.L.U.	B86856200
ENCE ENERGÍA EXTREMADURA DOS S	B85981710
ENCE ENERGÍA PAMI S.L.U.	B86856218
ENCE ENERGÍA PUERTOLLANO S.L.U	B86856192
ENCE INVESTIGACIÓN Y DESARROLLO	A36337434
ENCE RENOVABLES, SL	B44816429
ENCE TERRA SA	A33022492
ENERGIA DE LA LOMA SA	A23410152
ENERGIAS DE LA MANCHA ENEMAN S	A13228648
GRANADA 133 SOLAR SL	B88577150
HUELVA 10 SOLAR SLU	B88504147
IBERSILVA S A (SUCURSAL URUGUA	0000214661260014
IBERSILVA SA	A21294780
LAS PLEYADES ARGENTINA S A	
LAS PLEYADES URUGUAY SA	0000211448920016
LIPTOFLOR , S.A.	0000000515393460
MAGNON BIOMASA, S.L.U	B88216478
MAGNON GREEN ENERGY, S.L.U.	B85739209

Name of resident entities	
COMPANY	Tax ID
MAGNON SERVICIOS ENERGETICOS, SL	B88231782
SEVILLA 90 SOLAR SLU	B88577176
SILVASUR AGROFORESTAL SAU	A10008084
SUSTAINABILITY AND CIRCULAR ECONOMY	B85749877

ANNEX III
METHODOLOGY AND DETAIL EUROPEAN TAXONOMY

Eligible activities and analysis process

Ence has carried out an eligibility analysis to identify activities in its business model with the potential to make a substantial contribution to European environmental objectives. The analysis has identified activities with the potential to contribute substantially to four of the six objectives included in the EU Taxonomy of Sustainable Activities (Regulation 2020/852):

1. Climate change mitigation
2. Adaptation to climate change
3. Transition to a circular economy
4. Protection and restoration of biodiversity and ecosystems

Substantial contribution to climate change mitigation and adaptation

According to Delegated Regulation (EU) 2021/2139 the following activities are considered eligible:

1. Renewable energy generation:
   - ✓ **Activity 4.8** - Electricity generation from bioenergy, in the case of biomass power plants.
   - ✓ **Activity 4.20** - Cogeneration of heat/cold and power from bioenergy, in the case of cogeneration with biomass at the Navia (CEASA) and Pontevedra (Ence Energía y Celulosa SA) biofactories.
   - ✓ **Activity 4.1** - Electricity generation using solar photovoltaic technology , in the case of solar photovoltaic plants.

2. Forestry activities:
   - ✓ **Activity 1.3** - Forest management, under the category of "Forestry" as it includes forestry and other forestry activities, logging, harvesting of wild products, except wood, and forestry support services. Ence's sales of wood to third parties are therefore also considered eligible, as they fall under the heading “wood exploitation”.

3. As Pontes recovered fibre project
   - ✓ **Activity 5.9** - Material recovery from non-hazardous waste. The As Pontes project, currently in the design phase, includes the construction of a bioplant for the production of recycled fibre bleached from recovered cardboard and paper. The first phase of the project is expected to be operational in 2027.

4. Industrial heat generation from biomass
   - ✓ **Activity 4.24** - Production of heat/cool from bioenergy. Through Magnon Energy Services, Ence produces heat from biomass by operating boilers at its customers' industrial facilities. In 2023, MES signed its first heat sales contract for a major food company in Spain.

Furthermore, according to Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022, amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy industries (gas and nuclear) the following activity is also considered eligible:

- ✓ **Activity 4.30** - High-efficiency co-generation of heat/cool and power from fossil gaseous fuels, in the case of the operation of Bioenergía Santamaría's natural gas cogeneration plant in Lucena.

Substantial contribution to the transition to a circular economy

According to the new Delegated Regulation (EU) 2023/2486 of 27 June 2023 the following activities are considered eligible:

- ✓ **Activity 2.2** - Production of alternative water resources for purposes other than human consumption, in the case of the water recovery pilot project implemented in the Pontevedra biofactory.
- ✓ **Activity 2.5** - Recovery of bio-waste by anaerobic digestion or composting, in the case of the activities planned in the new Ence Biogas business line.

Substantial contribution to the protection and restoration of biodiversity and ecosystems

According to the new Delegated Regulation (EU) 2023/2486 of 27 June 2023 the following activity is considered eligible:

- ✓ **Activity 1.1** - Conservation, including restoration of habitats, ecosystems and species, in the case of the ecosystem protection activities that Ence carries out in the part of its forest estate dedicated to conservation and the reforestations that Ence carries out in its forest sink projects.

Cellulose production is not considered eligible for the time being, as it is not included among the activities mentioned in the Regulation, even though the TEG (Technical Expert Group) in its report published in 2020 acknowledges that the section on manufacturing industries should be extended to cover other activities in the short term, such as cellulose and paper production.

Perimeter and calculation methodology

1. Eligibility analysis

The analysis includes all Group companies (cellulose, renewable energy and forestry business lines) included in the consolidation perimeter. The process has aimed at calculating the proportion of taxonomically eligible activities in terms of turnover, capital expenditure (CapEx) and operating expenses (OpEx).

For this purpose, the proportion of Ence's sales, OpEx and CapEx from eligible activities (numerator) to total sales, total Capex and the share of OpEx specified in Regulation 2021/2178[7] for the financial year 2023 (denominator) has been determined. When performing these calculations, Ence has applied the necessary supervision and control measures to ensure the consistency of the process and the traceability of the information, and to avoid double counting

[7] *In the case of Opex, the denominator includes non-capitalised direct costs that relate to research and development, building renovation measures, short-term leases, maintenance and repairs, as well as other direct expenses related to the day-to-day maintenance of property, plant and equipment assets by the company or a third party to whom activities are outsourced and that are necessary to ensure the continued efficient operation of these*

of any item[8]. The currency used throughout has been the Euro (the Group's functional currency) and the information has been reviewed and reconciled with the annual financial statements.

In the case of **sales**, sales of renewable energy (item "Energy Sales") of companies whose activity coincides with activity 4.8, as well as sales of renewable energy from bioenergy generated by companies engaged in both cellulose production and cogeneration (Ence and CEASA), the activity of which coincides with activity 4.20 of Regulation 2021/2139 and the heat sales of Magnon Energy Services the activity of which coincides with activity 4.24 of Regulation 2021/2139.
The sales of energy from cogeneration with natural gas of the company Bioenergía Santamaría are in principle eligible as the activity falls under activity 4.30, but as it is an adaptation activity, these sales are not included in the eligibility report (see section Adaptation activities).

Forestry sales (item "Forestry sales", including timber sales, biomass sales and other forestry sales) have also been taken into account and are also eligible under activity 1.3 of Regulation 2021/2139.

In the case of **OpEx**, and as specified in Delegated Regulation 2021/2178, the costs relating to research and development (R&D expenditure items and R&D project personnel), maintenance (repairs and upkeep item) and short-term leases (leases and royalties, forest rent, transport rent, other leases and I. Mat. concession fee) have been taken into account, and the OpEx expenses indicated for the Group companies engaged in eligible activities (as described above) have been considered as eligible. Applying a conservative criterion, and as the OpEx of eligible activities cannot be broken down from non-eligible activities, the OpEx of the companies Ence and CEASA has not been included as eligible, as their main activity is the production of cellulose (non-eligible activity).

In the case of **CapEx**, to analyse the nature of asset additions, the list of 2023 investment projects (analysed individually according to their eligibility) has been used as a basis and reconciled with accounting after adjustments to avoid double counting. Investments corresponding to activities 4.8 and 4.20 of Regulation 2021/2139 have been considered eligible. In the latter case and following a conservative criterion, only those projects unequivocally related to the activity 4.20 Cogeneration of heat/cool and power from bioenergy will be considered eligible and not those that can also serve the cellulose production activity. The Bioenergía Santamaría company's natural gas cogeneration projects, eligible under activity 4.30 of Regulation 2022/1214, have also been taken into account.

Projects related to forestry activities (activity 1.3 of Delegated Regulation (EU) 2021/2139); projects related to the recovery of bio-waste through anaerobic digestion or composting (activity 2.5 of Delegated Regulation (EU) 2023/2486); the Production of alternative water resources for

[8]*Supervision and control measures implemented to avoid double counting and ensure consistency and traceability of the process include the elimination of intercompany balances, disaggregated analysis by company and project in the case of CapEx, reconciliation of the cost accounting with the consolidated information in the Financial Statements and review of calculations by independent areas (planning and control, consolidation and sustainability) in accordance with the Corporate Procedure established for this purpose.*

purposes other than human consumption (activity 2.2 of Delegated Regulation (EU) 2023/2486) and the protection of biodiversity (activity 1.1 of Delegated Regulation (EU) 2023/2486).

For reporting OpEx and Capex ratios, purchases of assets and processes or services have been assessed and considered eligible if essential to carry out a particular eligible activity.

2. Alignment analysis

An activity is considered to be aligned with the Taxonomy when it meets the criteria of substantial contribution to the relevant objective, the principles of no significant harm to other objectives (DNSH) and the minimum social safeguards defined in the Taxonomy Regulation and its Delegated Regulations.

For this analysis, once the eligible economic activities (and their corresponding companies within the Ence Group) had been identified, an analysis of alignment with the criteria established in Commission **Delegated Regulations** (EU) 2021/2139, (EU) of 4 June 2021 (climate RD), (EU) 2022/1214 of 9 March 2022 (complementary climate RD), (EU) 2023/2485 of 27 June 2023 (RD amending the climate RD) and (EU) 2023/2486 of 27 June 2023 (environmental RD, which details the technical selection criteria and DNSH for the other four European environmental objectives). In this regard, for each of the eligible activities, two types of criteria have been checked for compliance:

- Technical selection criteria that ensure that the activity makes a significant contribution to the relevant environmental objective.
- The criteria for determining that the activity does not cause significant harm to any of the other environmental goals (DNSH).

Thus, an activity can be aligned with several objectives (e.g. climate change mitigation and adaptation) if it meets the technical selection criteria for both, or be aligned with only one of them, if it only meets the criteria for one.

In order to assess compliance, the Ence Group companies and facilities that undertake the eligible economic activities were analysed. For each company/facility, compliance with the technical criteria and the DNSH criteria has been assessed by analysing its performance against each indicator set out in the criteria and providing the corresponding evidence of compliance to the independent external verifier.

For eligible activities of potential contribution to the environmental objectives of transition to a circular economy and protection and restoration of biodiversity and ecosystems, this analysis has not been carried out, as the regulation states that only the degree of eligibility needs to be analysed in the 2023 reports. Its degree of alignment will be analysed from 2024 onwards. Specifically, these activities would be the anaerobic digestion or composting activities (activity 2.5), the Production of alternative water resources for purposes other than human consumption (activity 2.2) and the protection of biodiversity (activity 1.1) of Delegated Regulation 2023/2486.

The results of the alignment analysis were as follows:

- ✓ **Forestry management**: the companies Ence Terra and Silvasur have been shown to be aligned with the objectives of climate change mitigation and adaptation, because they meet all the technical selection criteria and the DNSH criteria applicable to forestry management activity 1.3. Both partnerships are aligned with climate change mitigation and adaptation objectives. Other Group forestry companies (Ibersilva Servicios, ENCE R&D, Liptoflor and Casefor) are not considered to be exactly aligned as their activity does not fit the definition of the economic activity "forest management" or any other of the three activities included in Section "1. Forestry" as defined in Delegated Regulation 2021/2139.

- ✓ **Solar Photovoltaic**: the companies Sevilla 90 Solar, Huelva 10 Solar y Granada 133 Solar have been shown to be aligned, as they meet all the technical selection criteria and the DNSH criteria applicable to Activity 4.1. Electricity generation using solar photovoltaic technology. All these societies are aligned with both climate change mitigation and adaptation goals.

- ✓ **Electricity generation from bioenergy**: CENER, Magnon Green Energy, Ence Energía Huelva, Ence Energía Huelva II, Ence Energía Extremadura, Energía de La Loma, ENEMANSA, Energía Puertollano and Bioenergía Santamaría (the biomass generation facility) have been shown to be aligned, as they meet all the technical selection criteria and the DNSH criteria applicable to activity 4.8. Electricity generation from bioenergy. All societies are aligned with both climate change mitigation and adaptation goals.

- ✓ **Cogeneration from bioenergy**: the company CEASA (its cogeneration plant, not cellulose mill) has been shown to be in line, as it fulfils all the technical selection criteria and the DNSH criteria applicable to Activity 4.20. Cogeneration of heat/cold and electricity from bioenergy. This partnership is aligned with climate change mitigation and adaptation objectives. In the case of the Pontevedra facility (company Ence Energía y Celulosa S.A.), it is not considered aligned because it does not meet a single DNSH criterion (5 - Pollution control prevention for combustion installations with a thermal power greater than 1 MW but below the thresholds required for the BAT conclusions for large combustion installations to be applied), as despite complying with the limits established in its Integrated Environmental Authorisation, the average annual particle emission value in the biomass boiler exceeds the range of emission levels established in Directive 2015/2193 and its transposition into Spanish law through Royal Decree 1042/2017 (limits that at the level of legal compliance are not applicable until 2025). In this regard, in 2023 the company invested in improving the particle abatement system at the facility by improving the electronics of the electrostatic precipitators and has managed to achieve compliance in the last months of the year, although not in the annual accumulated figure. This criterion is expected to be met by 2024. This partnership is considered not aligned with both the climate change mitigation and adaptation objectives, as the DNSH criterion applies to both objectives.

- ✓ **Cogeneration from gaseous fossil fuels**: the company Bioenergía Santamaría (the natural gas cogeneration installation) is considered non-aligned as it does not meet all the technical selection criteria and DNSH criteria applicable to the activity Cogeneration of heat/cold and electricity from gaseous fuels, in particular those relating to CO2 emissions per kWh generated and those relating to methane leakage.

- ✓ **As Pontes project:** the project for the production of bleached recycled fibre from recovered cardboard and paper is in the project phase. This project is being designed following the best available techniques including the latest technologies on the market. Therefore, although at the current stage of the project, not all technical selection criteria can yet be validated, once the project progresses, the fulfilment of all criteria and thus their alignment will be ensured.

- ✓ **Production of industrial heat from biomass:** Magnon Energy Services has been shown to be aligned with all the technical selection criteria and the DNSH criteria applicable to activity 4.24 Production of heat from biomass with both the climate change mitigation and adaptation objectives.

In addition to the assessment of the technical selection criteria and the DNSH criteria, the company has been required to demonstrate compliance with the **Minimum Safeguards** on Human Rights, Corruption, Responsible Taxation, and Antitrust. Evidence has been provided of the policies, systems and procedures that Ence has in place to ensure these safeguards. Evidence has also been provided to demonstrate that the company or its senior management has not been convicted in court cases regarding human rights abuses, corruption or bribery, tax evasion or violation of competition laws.

Based on these results of the alignment analysis with the corresponding criteria, the sales percentages, Opex and Capex aligned with the two objectives of the taxonomy were calculated related to climate change.

In the case of **sales**, the sales of renewable energy of the companies aligned as described above have been taken into account as aligned. Forestry sales (including timber sales, biomass sales and other forestry sales) have also been taken into account.

In the case of **OpEx**, and as specified in Delegated Regulation 2021/2178, the costs relating to research and development (R&D expenditure items and R&D project personnel), maintenance (repairs and upkeep item) and leases (leases and royalties, forest rent, transport rent, other leases and I. Mat. concession fee) have been taken into account, and the OpEx expenses indicated for the Group companies considered aligned (as described above) have been considered as aligned. Regarding Opex, Ence and CEASA have been excluded, after applying a conservative criterion as their main activity is the production of cellulose (ineligible activity and therefore not aligned).

In the case of **CapEx**, to analyse the nature of asset additions, the list of eligible projects (see "Eligibility analysis") and those corresponding to the companies aligned as described above have been considered aligned. In the case of CEASA projects and Ence Energía y Celulosa (Pontevedra

biofactory), and following the same conservative criteria applied in the eligibility analysis, only projects unequivocally related to the cogeneration activity will be considered aligned and not those that can also serve the cellulose production activity.
Applying the same criterion, in the case of Bioenergía Santamaría's natural gas cogeneration projects, only those projects corresponding to the biomass generation facility are counted as aligned. Those corresponding to the gas-fired CHP facility and those serving both are considered unaligned and are not included in the alignment report.

Adaptation activities

In line with point 5 of the *Commission Communication on the interpretation of certain legal provisions of the delegated act on disclosure of information pursuant to Article 8 of the Regulation on EU taxonomy on the reporting of eligible economic activities and assets* (2022/C 385/01), for adaptation activities only the contribution in terms of Opex and Capex is reported, but not turnover (sales).

Ence's renewable energy generation activities (codes 4.1, 4.8 and 4.20) meet the alignment criteria for both climate change mitigation and adaptation, but to avoid double counting and given that they are renewable energy generation activities, 100% of their alignment with the mitigation target is assigned. With this, its contribution in terms of Opex, Capex and sales is reported.

ANNEX IV
GRI CONTENT INDEX

GRI 1

GRI Indicator	Report section/direct response	Pages
GRI 1: FUNDAMENTALS 2021		
Fundamentals 2021	Annex I: On this report Annex IV: GRI content index	244–247 295–309
GRI 2: THE ORGANISATION AND ITS REPORTING PRACTICES		
2-1 Organisational information	Ence Energía y Celulosa S.A. C/ Beatriz de Bobadilla 14 28040 Madrid, Spain About Ence Legal form: Corporate Governance	224
2-2 Entities covered by sustainability reporting	This information can be found in the Annual Accounts report, Annex I – Consolidation Perimeter.	-
2-3 Reporting period, frequency and point of contact	Period: 2023 Frequency: Annual Contact: Annex I: About this report	244–247
2-4 Updating of information	The data contained in this report for previous years may represent restatements of the information contained in previous sustainability reports issued by the company. These changes may be due to rounding of decimals, differences in measurement methods, or post-report revisions. This report presents data on fuel consumption in Huelva and energy efficiency in Lucena. In the case of the calculation of the carbon footprint, as indicated in the note attached to the results, the data should be considered provisional. Differences with the final data presented in the company's GHG reports may be due to the unavailability of the emission factors and other parameters outside the company updated at the closing date of the report by the corresponding official bodies.	-
2-5 External assurance	Annex IX: Independent External Assurance Report	342
GRI 2: ACTIVITIES AND WORKERS		
2-6 Activities, value chain and other business relationships	Getting to know ENCE Supply chain monitoring Markets served: To customers Annex II To the rural environment.	7–17 152–157 189–200 248–285 134–165
2-7 employees	To People Annex II	78–98 248–285

2-8 Non-employee workers	Not applicable. Ence has no non-employee workers	-
GRI 2: GOVERNANCE		
2-9 Governance and composition structure	Responsible governance	218–241
2-10 Nominating and selecting the highest governance body	Responsible governance	218–241
2-11 Chair of the highest governance body	Responsible governance	218–241
2-12 Highest governance body's role in impact management monitoring	To the rural environment To communities Responsible governance Materiality analysis and stakeholder dialogue Risk and opportunity management Eco-efficient operations To the climate Annex II	134–165 201–217 218–241 41–43 49–59 109–133 166–188 248–285
2-13 Delegation of responsibility for impact management	Responsible governance Eco-efficient operations	218–241 109–133
2-14 Highest governance body's role in sustainability reporting	Responsible governance	218–241
2-15 Conflicts of interest	Ence's internal regulations, and in particular its Board of Directors Regulations (section 32), establish the regulations applicable to possible conflict of interest situations of the Board Members, specifying the actions to be carried out and the mechanisms to be applied to avoid and, where appropriate, manage such situations. The full Regulations of the Board of Directors are available to all of Ence's stakeholders on the company's website.	-
2-16 Communicating critical concerns	Concerns recorded through the various channels of interaction with Ence's stakeholders, such as, for example, visits to customers, employee and local communities perception studies, contact with investors, and so on, are conveyed to the Board through the inclusion of specific items on the agendas of the regular meetings of the Board and its Delegated Committees. The main sustainability concerns addressed by the Board and its delegated committees have been related to the health and safety of workers and contractors and to the environmental performance of the facilities. The Board and its committees also discussed the new applicable sustainability regulations (e.g. due diligence directive) and Ence's response to climate change, as well as the update of	-

	Ence's sustainability roadmap for the next period (Sustainability Master Plan 2024-2028).	
2-17 Collective knowledge of highest governance body	Responsible governance	218–241
2-18 Evaluating the highest governance body's performance	Responsible governance	218–241
2-19 Remuneration policies	Responsible governance	218–241
2-20 Process for determining remuneration	Responsible governance The Company holds meetings with proxy advisors to learn about investor expectations regarding remunerations, as well as their policies and recommendations in this regard. Likewise, the shareholders of the Company cast their vote at the Meeting for the approval or not of the Remuneration Policy, and their consultative vote on the Annual Report on the Remuneration of Directors.	218–241
2-21 Annual total compensation ratio	The ratio of total annual compensation of the highest paid person to the average workforce in 2023 was 20.2 times. (The calculation of the total annual compensation of the highest paid person only takes into account their remuneration for executive functions). The annual compensation in 2023 of the highest-paid person decreased by 2.5% while the average annual compensation of the workforce increased by 1.4%. (The calculation of the total annual compensation of the highest paid person only takes into account their remuneration for executive functions).	-
GRI 2: STRATEGY, POLICY AND PRACTICE		
2-22 Sustainable development strategy statement	Interview with the Chairman.	3–6
2-23 Commitments and policies	Risk and opportunity management Sustainability as a strategic priority Responsible governance	49–59 38–48 218–241
2-24 Mainstreaming commitments and policies	Risk and opportunity management Sustainability as a strategic priority Responsible governance	49–59 38–48 218–241
2-25 Processes to remedy negative impacts	Risk and opportunity management Sustainability as a strategic priority Responsible governance To communities To customers	49–59 38–48 218–241 201–217 189–200

2-26 Mechanisms for seeking advice and raising concerns	Responsible governance	218–241
2-27 Compliance with legislation and regulations	Occasional excess noise levels have been recorded at the Navia and Huelva plants. In 2023, Ence has continued to work on the implementation of action plans to remedy this excess. There were no significant breaches of social and economic laws and regulations during the reporting period.	-
2-28 Membership of associations	To rural areas, For communities. In 2023, Ence allocated €297,480 to the payment of association fees.	134–165
GRI 2: STAKEHOLDER ENGAGEMENT		
2-29 Approach to stakeholder engagement	Sustainability as a strategic priority To communities	38–48 201–217
2-30 Collective bargaining agreements	To people	78–98
GRI 3: MATERIAL ISSUES		
3-1 Process for determining material issues	Annex I: About this report	244–247
3-2 List of material topics	Materiality analysis and stakeholder dialogue There have been no significant changes from the previous reporting cycle.	41–43
3-3 Management of material topics	About Ence. For further information, please refer to the consolidated annual accounts Discovering ENCE Market context and strategy Innovate to create value To people Eco-efficient operations To the rural environment To the climate To communities To customers Ethics and compliance Ence's Code of Conduct, The Sustainability Due Diligence Policy, Sustainability Policy and Procurement Policy state the company's public commitment to Human Rights even though the company carries out its operations (including its supply chain) in European Union countries in which there are robust regulatory frameworks and control systems that make this risk not deemed significant. Even so, Ence requires suppliers to adhere to its Code of Conduct and includes specific human rights compliance clauses in its contracts with agroforestry suppliers. No operations or suppliers with **risk of child labour cases, risk of forced or compulsory labour** were detected during the reporting period.	7–30 7–17 33–36 60–74 78–98 109–133 134–165 166–188 201–217 189–200 233–241

Ence has worked with its contractors responsible for facility security to include human rights training in the training programmes of its staff, which are held on a regular basis. The last training courses on this matter were held in 2019.

In relation to the rights of indigenous peoples, Ence does not undertake its operations in countries or territories inhabited by indigenous peoples, so this aspect is not considered material.

Ence carries out its operations in European Union countries where the risk of Human Rights violations is not deemed significant. In addition, at the end of 2023, Ence approved the Sustainability Due Diligence Policy, as well as the Third Party Due Diligence Procedure establishing the guidelines that the entire Ence Group must follow in business relations (suppliers, partners, customers and collaborators) in the areas of human rights, the environment, ethics and compliance. In this sense, the company includes human rights compliance clauses in contracts with wood and biomass suppliers and certification systems for the wood suppliers Ence works with, such as the FSC® chain of custody certification that includes the declaration of compliance with current labour regulations. Even so, Ence includes human rights compliance clauses in contracts with agroforestry suppliers and undertakes inspections and audits among its suppliers to ensure compliance. In addition, the Due Diligence Procedure foresees a risk analysis on human rights, environmental impacts and ethics and compliance for all Ence's counterparties. Third parties that are considered to be at risk must undergo specific audits to ensure that there are no human rights violations or negative environmental impacts in their operations. The supply chain monitoring system is detailed in the section "Supply chain monitoring".

Digitisation and cybersecurity. Ence's information security procedure includes the requirement to sign confidentiality clauses or agreements with customers and suppliers.

GRI Indicator	Report section/direct response	Pages
GRI 201: ECONOMIC PERFORMANCE		
201-1 Direct economic value generated and distributed	Generated and distributed economic value	22
201-2 Financial implications and other risks and opportunities due to climate change	To the climate	166–188
201-3 Defined benefit plan obligations and other retirement plans	To people Annual accounts Annual Corporate Governance Report, Annual Director Remuneration Report	78–98
201-4 Financial assistance received from government	Ence's tax policy	212–217
GRI 202: MARKET PRESENCE		
202-1 Ratios of standard entry level wage by gender compared to local minimum wage	To people	78–98
202-2 Proportion of senior management hired from the local community	100%. All the members of the Management Committee are from Spain, the country in which all of Ence's relevant operation sites are located.	-
GRI 203: INDIRECT ECONOMIC IMPACTS		
203-1 Infrastructure investments and services supported	About Ence Market context and strategy	7–17 33–36
203-2 Significant indirect economic impacts	About Ence Market context and strategy Generating value in the rural environment Creating value in the environment	7–17 33–36 158–165 202–208
GRI 204: PROCUREMENT PRACTICES		
204-1 Proportion of spending on local suppliers	To the rural environment	134–165
GRI 205: ANTI-CORRUPTION		
205-1 Operations assessed for risks related to corruption	Ethics and compliance	233–241
205-2 Communication and training about anti-corruption policies and procedures	Ethics and compliance	233–241
205-3 Confirmed incidents of corruption and actions taken	Ethics and compliance	233–241

GRI 206: ANTI-COMPETITIVE BEHAVIOUR		
206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	No legal actions have been brought against Ence in relation to unfair competition, monopolistic practices, or free competition during the reporting period.	-
GRI 207: TAXATION		
207-1 Approach to tax	To communities (Tax contribution)	212–217
207-2 Tax governance, control, and risk management	To communities (Tax contribution) Annex II	212–217 248–285
207-3 Stakeholder engagement and management concerns related to tax	To communities (Tax contribution)	41–43 212–217
207-4 Country-by-country reporting	To communities (Tax contribution)	212–217

THEMATIC CONTENTS - ENVIRONMENT		
GRI Indicator	**Report section/direct response**	**Pages**
GRI 301: MATERIALS		
301-1 Materials used by weight or volume	Eco-efficient operations Annex II	109–133 248–285
301-2 Recycled supplies	Eco-efficient operations Annex II	109–133 248–285
301-3 Reclaimed products and their packaging materials	Eco-efficient operations Annex II	109–133 248–285
GRI 302: ENERGY		
302-1 Energy consumption within the organisation	Eco-efficient operations Annex II	109–133 248–285
302-2 Energy consumption outside the organisation	Eco-efficient operations Annex II	109–133 248–285
302-3 Energy intensity	Eco-efficient operations	109–133 265
302-4 Reduction of energy consumption	Eco-efficient operations	109–133
302-5 Reductions in energy requirements of products and services	Eco-efficient operations	109–133

GRI 303: WATER AND EFFLUENTS		
303-1 Interaction with water as a shared resource	Eco-efficient operations	109–133
303-2 Management of impacts related to water discharges	Eco-efficient operations	109–133
303-3 Water withdrawal	Eco-efficient operations	109–133
303-4 Water discharge	There were no significant spills in the reporting period.	-
303-5 Water consumption	Eco-efficient operations Annex II	109–133 248–285
GRI 304: BIODIVERSITY		
304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	The nearest protected areas (<5 km) to Ence's operations sites are the Pontevedra estuary (declared a sensitive area), the Peñarronda-Barayo SAC (Navia), the Nicoba and Santa Ribera Marshes SCIs (Huelva), the Guadiana River SCI and the Sierra de las Cabrerizas SBPA (Mérida), and the Guadalimar River and Guadalquivir River SCIs (Lucena).	-
304-2 Significant impacts of activities, products, and services on biodiversity	To the rural environment	134–165
304-3 Habitats protected or restored	To the rural environment Annex II	134–165 248–285
304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	For the rural environment Annex II	134–165 248–285
GRI 305: EMISSIONS		
305-1 Direct GHG emissions (Scope 1)	To the climate	166–188

305-2 Indirect GHG emissions (Scope 2) from the generation of energy	To the climate	166–188
305-3 Other indirect (Scope 3) GHG emissions	To the climate	166–188
305-4 GHG emissions intensity	To the climate	166–188
305-5 Reduction of GHG emissions	To the climate	166–188
305-6 Emissions of ozone-depleting substances (ODS)	Not applicable, as Ence's activity does not generate significant ozone-depleting emissions. The only emission sources (gas recharges due to refrigeration equipment losses) are intermittent and the amount emitted is negligible.	-
305-7 Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	Eco-efficient operations Annex II	109–133 248–285
GRI 306: WASTE		
306-1 Waste generation and associated significant impacts	Eco-efficient operations	109–133
306-2 Management of significant impacts associated with waste	Eco-efficient operations	109–133
306-3 Waste generated	Eco-efficient operations Annex II	109–133 248–285
306-4 Waste diverted from disposal	Eco-efficient operations Annex II	109–133 248–285
306-5 Wastes sent for disposal	Eco-efficient operations Annex II	109–133 248–285
GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT		
308-1 New suppliers that were screened using environmental criteria	To the rural environment. Annex II	134–165 248–285
308-2 Negative environmental impacts in the supply chain and actions taken	For the rural environment	134–165

THEMATIC CONTENTS - SOCIAL		
GRI Indicator	**Report section/direct response**	**Pages**

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401-1 New employee hires and employee turnover	To people Annex II	78–98 248–285
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	To people	78–98
401-3 Parental leave	To people Annex II	78–98 248–285
GRI 402: LABOUR RELATIONS – COMPANY		
402-1 Minimum notice periods regarding operational changes	Minimum notice periods comply with current legislation (Collective Bargaining Agreements signed and applied at each site and the Workers' Statute).	-
GRI 403: OCCUPATIONAL HEALTH AND SAFETY		
403-1 Occupational health and safety management system	Safe Operations	100–108
403-2 Hazard identification, risk assessment and incident investigation	Safe Operations	100–108
403-3 Occupational health services	Safe Operations	100–108
403-4 Workers participation in regard to health and safety at work	Safe Operations	100–108
403-5 Training of workers on occupational health and safety	Safe Operations	100–108
403-6 Workers' health promotion	Safe Operations To people	100–108 78–98
403-7 Prevention and mitigation of impacts on the health and safety of workers directly linked through business relationships	Safe Operations	100–108
403-8 Workers covered by an occupational safety and health management system	100%	-

403-9 Work-related injuries	Safe Operations Annex II No fatal accidents were recorded in the reporting period.	100–108 248–285
403-10 Occupational diseases and illnesses	Safe Operations	100–108
GRI 404: TRAINING AND EDUCATION		
404-1 Average hours of training per year per employee	To people Annex II	78–98 248–285
404-2 Programmes for upgrading employee skills and transition assistance programmes	To people Annex II	78–98 248–285
404-3 Percentage of employees receiving regular performance and career development reviews	To people Annex II	78–98 248–285
GRI 405: DIVERSITY AND EQUAL OPPORTUNITIES		
405-1 Diversity of governing bodies and employees	To people Responsible governance	78–98 218–241
405-2 Ratio of basic salary and remuneration of women to men	To people Annex II	78–98 248–285
GRI 406: NON-DISCRIMINATION		
406-1 Incidents of discrimination and corrective actions taken	No cases of discrimination were recorded in the reporting period.	-
GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING		
407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	No operations or suppliers were identified in which the right to freedom of association and collective bargaining could have been at risk during the reporting period.	-

GRI 408: CHILD LABOUR		
408-1 Operations and suppliers at significant risk for incidents of child labour	Ence's Code of Conduct, The Sustainability Due Diligence Policy, Sustainability Policy and Procurement Policy state the company's public commitment to Human Rights even though the company carries out its operations (including its supply chain) in European Union countries in which there are robust regulatory frameworks and control systems that make this risk not deemed significant. Even so, Ence requires suppliers to adhere to its Code of Conduct and includes specific human rights compliance clauses in its contracts with agroforestry suppliers. No operations or suppliers with risk of child labour cases have been detected in the reporting period.	-

GRI 409: FORCED OR COMPULSORY LABOUR		
409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	Ence's Code of Conduct, The Sustainability Due Diligence Policy, Sustainability Policy and Procurement Policy state the company's public commitment to Human Rights even though the company carries out its operations (including its supply chain) in European Union countries in which there are robust regulatory frameworks and control systems that make this risk not deemed significant. Even so, Ence requires suppliers to adhere to its Code of Conduct and includes specific human rights compliance clauses in its contracts with agroforestry suppliers. No operations or suppliers with risk of forced or compulsory labour were detected during the reporting period.	-

GRI 410: SECURITY PRACTICES		
410-1 Security personnel trained in human rights policies or procedures	Ence's Code of Conduct, The Sustainability Due Diligence Policy, Sustainability Policy and Procurement Policy state the company's public commitment to Human Rights even though the company carries out its operations (including its supply chain) in European Union countries in which there are robust regulatory frameworks and control systems that make this risk not deemed significant. However, Ence has worked with its contractors responsible for facility security to include human rights training in the training programmes of its staff, which are held on a regular basis. The last training courses on this matter were held in 2019.	-

GRI 411: RIGHTS OF INDIGENOUS PEOPLE		
411-1 Incidents of violations involving rights of indigenous people	This does not apply, since Ence does not operate in countries or territories inhabited by indigenous people. Therefore, this aspect is not considered material.	-

GRI 412: HUMAN RIGHTS ASSESSMENT		
412-1 Operations that have been subject to human rights reviews or impact assessments	Ence carries out its operations in European Union countries where the risk of Human Rights violations is not deemed significant. In addition, at the end of 2023, Ence approved the Sustainability Due Diligence Procedure, as well as the Third Party Due Diligence Procedure establishing the guidelines that the entire Ence Group must follow in business relations (suppliers, partners, customers and collaborators) in the areas of human rights, the environment, ethics and compliance. However, the company includes human rights compliance clauses in contracts with wood and biomass suppliers and certification systems for the wood suppliers Ence works with, such as the FSC® chain of custody certification that includes the declaration of compliance with current labour regulations. Even so, Ence includes human rights compliance clauses in contracts with agroforestry suppliers and undertakes inspections and audits among its suppliers to ensure compliance. In addition, the Due Diligence Procedure foresees a risk analysis on human rights, environmental impacts and ethics and compliance for all Ence's counterparties. Third parties that are considered to be at risk must undergo specific audits to ensure that there are no human rights violations or negative environmental impacts in their operations. The supply chain monitoring system is detailed in the section "Supply chain monitoring".	
412-2 Employee training on human rights policies or procedures	In 2023, a total of 773 employees received training on Ence's code of conduct (including the Internal Information Channel procedure), which includes the company's business principles on human rights, including, among other things, the protection of workers' rights and the assessment of human rights compliance in supplier evaluation processes.	-
412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights assessment	Companies with which Ence signs significant investment contracts are located in countries where the risk of human rights violations is not deemed significant. In addition, at the end of 2023, Ence approved the Sustainability Due Diligence Policy, as well as the Third Party Due Diligence Procedure establishing the guidelines that the entire Ence Group must follow in business relations (suppliers, partners, customers and collaborators) in the areas of human rights, the environment, ethics and compliance. Thus, the Due Diligence Procedure foresees a risk analysis on human rights, environmental impacts and ethics and compliance for all Ence's counterparties. Third parties that are considered to be at risk must undergo specific audits to ensure that there are no human rights violations or negative environmental impacts in their operations. In any case, suppliers are required to adhere to Ence's Code of Conduct, which includes a commitment to respect human rights.	-

	Contracts with agroforestry suppliers include specific clauses on the respect for human rights.	
GRI 413: LOCAL COMMUNITIES		
413-1 Operations with local community engagement, impact assessments, and development programmes	To the rural environment To communities	134–165 201–217
413-2 Operations with significant actual and potential negative impacts on local communities	To the rural environment To communities	129 134–165 201–217
GRI 414: SUPPLIER SOCIAL ASSESSMENT		
414-1 New suppliers that were screened using social criteria	To the rural environment	134–165
414-2 Negative social impacts in the supply chain and actions taken	To the rural environment	134–165
GRI 415: PUBLIC POLICY		
415-1 Contributions to political representatives and/or political parties	No contributions were made to political parties and/or representatives during the reporting period.	-
GRI 416: CUSTOMER HEALTH AND SAFETY		
416-1 Assessment of the health and safety impacts of product and service categories	The cellulose produced by Ence has certificates that prove its safety for customers and end consumers, both the MSDS (Material Safety Data Sheet) and the ISEGA certification of suitability for food contact.	-
416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	There were no cases of non-compliance related to health and safety impacts for Ence's product and service categories during the reporting period.	-
GRI 417: MARKETING AND LABELLING		
417-1 Requirements for product and service information and labelling	Ence includes a label on its pulp products that allows traceability and provides customers with all relevant information about its production, such as the production date, the product code, the name of the biofactory in which it was produced, or the lot number.	-

417-2 Incidents of non-compliance concerning product and service information and labelling	No cases of non-compliance related to product information and labelling were recorded in the reporting period.	-
417-3 Incidents of non-compliance concerning marketing communications	No instances of non-compliance related to marketing communications were recorded in the reporting period.	-
GRI 418: CUSTOMER PRIVACY		
418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	No complaints were registered regarding breaches of customer privacy and losses of customer data during the reporting period.	-

ANNEX V
LAW 11/2018 CONTENT INDEX

CONTENTS OF THE NON-FINANCIAL INFORMATION STATEMENT		
Law 11/2018 INF contents	**Standard used (selected GRI)**	**Pages**
BUSINESS MODEL		
Description of the group's business model		
A brief description of the group's business model, including its business environment, organisation and structure, the markets in which it operates, its objectives and strategies, and the main factors and trends that may affect its future evolution.	GRI 2-1 Organisational information	7–17 224
	GRI 2-6 Activities, value chain and other business relationships	7–17 152–157 189–200
	GRI 2-22 Sustainable development strategy statement	3–6
Principle of materiality	GRI 3-1 Process for determining material issues	41–43
	GRI 3-2 List of material topics	41–43
INFORMATION ON ENVIRONMENTAL ISSUES		
Policies		
Policies applied by the group, including the due diligence procedures applied to identify, assess, prevent, and mitigate significant risks and impacts, and to verify and control, as well as the measures that have been adopted.	GRI 3-3 Management of material topics (environmental issues)	109–133 49–59
Main risks		
Main risks related to issues associated with the group's activities, including, where relevant and proportionate, its commercial relations, products or services that may have negative effects in those areas, and how the group manages those risks, explaining the procedures used to identify and evaluate them pursuant to the national, European, or international reference frameworks for each subject. This should include information on the impacts that have	GRI 2-23 Commitments and policies	49–59
	GRI 2-12 Highest governance body's role in impact management monitoring	49–59 109–133

been identified, giving a breakdown of these impacts, in particular on the main risks in the short, medium, and long term.	GRI 3-3 Management of material topics (environmental issues)	109–133 49–59
	GRI 201-2 Financial implications and other risks and opportunities due to climate change	176–188
General		
Current and foreseeable effects of the company's activities on the environment and, where appropriate, on health and safety.	GRI 3-3 Management of material topics (health and safety and environment)	100–133
	GRI 3-3 Management of material topics	100–133
Environmental assessment or certification procedures	Ence has environmental certifications in accordance with the UNE-EN-ISO 14001 and UNE-EN-ISO 50001 standards and the European Eco-Management and Audit Scheme (EMAS), as well as the EU Ecolabel, Nordic Swan and AENOR Zero Waste and SURE environmental certifications. More information in the Eco-efficient Operations section	111–114
Resources dedicated to the prevention of environmental risks	GRI 3-3 Management of material topics The Eco-efficient operations section contains the details of the environmental investments made by the company during the year. In addition, each facility has a team dedicated to environmental management and environmental risk prevention, coordinated by an environmental manager for the pulp business line and an environmental manager for the energy business line (Magnon).	100–133 49–59
Application of the precautionary principle	GRI 3-3 Management of material topics	110–111

Provisions and guarantees for environmental risks	GRI 3-3 Management of material topics The Ence facilities to which Act 26/2007, dated 23 October, on Environmental Liability applies are exempt from providing financial guarantees in accordance with section a) and b) of article 28 of the aforementioned Act because they are members of the EMAS and/or the environmental management system UNE-EN ISO 14001 or because the assessment of the damage potentially caused is less than €300,000. Ence has also taken out an environmental liability policy with a general limit of €60M per claim and in annual aggregate, for all the guarantees and coverages of the policy. Provisions regarding probable or certain liabilities, litigation in progress and outstanding indemnities or obligations of an undetermined amount of an environmental nature, not covered by the insurance policies taken out, are established when the liability or obligation giving rise to the indemnity or payment arises. There are no provisions made for this item at the end of 2023.	-
Contamination		
Measures to prevent, reduce, or remedy carbon emissions that seriously affect the environment, taking into account any form of air pollution specific to an activity, including noise and light pollution.	GRI 3-3 Management of material topics (with a view to GRIs 302 and 305)	109–133 166–188
	GRI 302-4 Reduction of energy consumption	126–128
	GRI 302-5 Reduction in energy requirements of products and services	126–128
	GRI 305-7 Nitrogen oxides (NO_x), sulphur oxides (SO_x), and other significant air emissions	121–122, 130–131
	In the case of noise and light pollution, there is no reference GRI standard. Ence reports its management approach and measures to reduce its impact in the Eco-efficient Operations section of this report	131–132
Circular Economy and waste prevention and management		
Measures for prevention, recycling, reusing, and other forms of waste recovery and disposal.	GRI 3-3 Management of material topics (Effluents and Waste)	115–126
	GRI 301-1 Materials used by weight or volume	116–119 265–268

	GRI 301-2 Recycled supplies	109–133 272–273
	GRI 301-3 Reclaimed products and their packaging materials	109–133 265–268
	GRI 306-3 Waste generated	119–121 272–273
	GRI 306-4 Waste diverted from disposal	119–121 272–273
	GRI 306-5 Waste sent for disposal	119–121 272–273
	GRI 303-4 Water discharge	122–126 269–272
Actions to combat food waste	This is a non-material aspect for Ence, since the company's activity has no impact on the production, consumption or distribution of food.	-
Sustainable use of resources		
Water consumption and water supply according to local constraints	GRI 303-3 Water withdrawal	122–126 268–269
Consumption of raw materials and measures taken to improve the efficiency of their use	GRI 3-3 Management of material topics (Environment)	115–126
	GRI 301-1 Materials used by weight or volume	116–119 265–268
	GRI 301-2 Recycled supplies	109–133 272–273
	GRI 301-3 Reclaimed products and their packaging materials	109–133 265–268
Energy: Consumption, direct and indirect; measures taken to improve energy efficiency, use of renewable energies	GRI 3-3 Management of material topics (Energy)	126–128
	GRI 302-1 Energy consumption within the organisation	126–128 262–265
	GRI 302-3 Energy intensity	109–133 265
	GRI 302-4 Reduction of energy consumption	126–128
	GRI 302-5 Reduction in energy requirements of products and services	126–128
Climate change		
Greenhouse gas emissions generated as a result of the company's activities, including the use of the goods and services it produces	GRI 305-1 Direct GHG emissions (Scope 1)	172–176
	GRI 305-2 Indirect energy generation GHG emissions (Scope 2)	172–176
	GRI 305-3 Other indirect (Scope 3) GHG emissions	172–176
	GRI 305-4 GHG emissions intensity	172–176
	GRI 305-5 Reduction of GHG emissions	172–176

Measures taken to adapt to the consequences of climate change	GRI 3-3 Management of material topics (climate change adaptation)	176–188
	GRI 201-2 Financial implications and other risks and opportunities due to climate change	176–188
Reduction targets voluntarily set in the medium- and long-term to reduce GHG emissions and resources	GRI 3-3 Management of material topics (Reduction of GHG emissions)	168–172
Protection of biodiversity		
Measures taken to preserve and restore biodiversity	GRI 3-3 Management of material topics (Biodiversity)	139–165
	GRI 304-3 Habitats protected or restored	145–149
Impacts caused by activities or operations in protected areas	GRI 304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	143–149
	GRI 304-2 Significant impacts of activities, products, and services on biodiversity.	135–165
	GRI 304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations.	276–283
INFORMATION ON SOCIAL AND PERSONNEL ISSUES		
Policies		
Policies applied by the group, including the due diligence procedures applied to identify, assess, prevent, and mitigate significant risks and impacts, and to verify and control, as well as the measures that have been adopted	GRI 2-19 Remuneration policies	84–87
	GRI 3-3 Management of material topics	78–81 249–260
Main risks		
Main risks related to issues associated with the group's activities, including, where relevant and proportionate, its commercial relations, products or services that may have negative effects in those areas, and how the group manages those risks, explaining the procedures used to identify and evaluate them pursuant to the national, European, or international reference frameworks for each subject. This should include	GRI 2-12 Highest governance body's role in impact management monitoring	49–59

information on the impacts that have been identified, giving a breakdown of these impacts, in particular on the main risks in the short, medium, and long term.		
Employment		
Total number and distribution of employees by gender, age, country and professional classification	GRI 2-6 Activities, value chain and other business relationships	7–17 249–260
	GRI 2-7 Employees	78–98 249–260
	GRI 405-1. b) The percentage of employees by job category for each of the following diversity categories: gender and age group	78–98 249–260
Total number and distribution of employment contract modalities	GRI 2-7 Employees	78–98 249–260
Average annual number of permanent, temporary and part-time contracts by gender, age and professional classification	GRI 2-7 employees. Ence reports the information at the end of the financial year, as the difference between the mean workforce data and year-end data is less than 5%, so both data reflect equivalent and very similar information.	78–98 249–260
Number of redundancies by gender, age and occupational classification	GRI 401-1.b) Total number and turnover rate of staff during the reporting period, by age group, gender and region (for dismissals)	81 256
	In 2023, there have been 6 redundancies. The breakdown by gender, age and professional category is detailed in Annex II.	
Average salaries and their evolution disaggregated by gender, age and professional classification or equal value	GRI 405-2 Ratio of basic salary and remuneration of women to men Average remuneration and its evolution are reported in detail in the Remuneration and welfare plans section and in Annex II of this report.	84–87 257–259
Pay Gap	GRI 405-2 Ratio of basic salary and remuneration of women to men Information on the pay gap in comparable positions and details the methodology used are reported in the Remuneration and welfare plans section and Annex II of this report.	84–87 257–259
Remuneration of equal or average jobs in the company	GRI 405-2 Ratio of basic salary and remuneration of women to men In the Remuneration and welfare plans section and in Annex II of this report, the average remuneration by professional category is reported	84–87 257–259

The average remuneration of directors and executives, including variable remuneration, meal allowances, indemnities, payment to long-term savings pension systems and any other payments disaggregated by gender	GRI 2-19 Remuneration policies	219–232
	GRI 2-20 Process for determining remuneration	219–232
	GRI 405-2 Ratio of basic salary and remuneration of women to men	84–87
	GRI 201-3 Defined benefit plan obligations and other retirement plans	78–81
Implementation of labour disconnection measures	GRI 3-3 Management of material topics (labour disconnection)	93–94
Employees with disabilities	GRI 405-1. b) Percentage of employees by job category for each of the following diversity categories (iii. Vulnerable groups).	78–98
Organisation of work		
Organisation of working time	GRI 2-7 Employees. c) The total number of employees by type of employment contract (full-time or part-time) and by gender.	78–98 249–260
	GRI 3-3 Management of material topics (Organisation of work)	78–98
Number of absentee hours	GRI 403-2 Types of accidents and ratios of occupational accidents, occupational illnesses, lost days and absenteeism, and number of related deaths (section a)	81 100–108
Measures aimed at facilitating the enjoyment of work/life balance and encouraging co-responsibility for it by both parents.	GRI 401-3 Parental leave	93–94
	GRI 3-3 Management of material topics	89–95
Health and Safety		
Occupational health and safety conditions	GRI 3-3 Management of material topics (Health and Safety)	102–103
Accidents at work (frequency and severity) disaggregated by gender	GRI 403-9 Injuries due to occupational accidents.	107–108 261
Occupational illness (frequency and severity) disaggregated by gender	GRI 403-10 Occupational diseases and illnesses. In 2023, there were no cases of occupational diseases.	100–108

Social Relations		
Organisation of social dialogue, including procedures for informing, consulting and negotiating with staff	GRI 2-29 Approach to stakeholder engagement	38–48
	GRI 402-1 Minimum notice periods regarding operational changes	304
	GRI 403-4 Workers participation in regard to health and safety at work	100–108
Mechanisms and procedures that the company has in place to promote the involvement of employees in the management of the company, in terms of information, consultation and participation	GRI 2-24 Mainstreaming commitments and policies	96–98
	GRI 3-3 Management of material topics	96–98
Percentage of employees covered by collective bargaining agreements by country	GRI 2-30 Collective bargaining agreements	96–98
Assessment of collective agreements, particularly in the field of health and safety at work	GRI 403-4 Workers participation in regard to health and safety at work	100–108
Training		
Policies implemented in the field of training	GRI 3-3 Management of material topics (Training and education)	82–84 88–89
	GRI 404-2 Programmes for upgrading employee skills and transition assistance programmes	82–84 88–89
Total number of training hours by professional category	GRI 404-1 Average hours of training per year per employee	82–84 88–89 260
Accessibility		
Universal accessibility for people with disabilities	GRI 3-3 Management of material topics (Diversity and Equality of Opportunities and Non-Discrimination)	95
Equality		
Measures taken to promote equal treatment and opportunities for men and women	GRI 3-3 Management of material topics (Diversity and Equality of Opportunities)	89–96
Equality plans	GRI 3-3 Management of material topics (Diversity and Equality of Opportunities and Non-Discrimination)	89–96
Measures taken to promote employment	GRI 3-3 Management of material topics (Employment)	78–89
	GRI 404-2 Programmes for upgrading employee skills and transition assistance programmes	78–89

Protocols against sexual and gender-based harassment	GRI 3-3 Management of material topics (Diversity and Equality of Opportunities and Non-Discrimination)	95–96
The integration and universal accessibility of persons with disabilities	GRI 3-3 Management of material topics (Diversity and Equality of Opportunities and Non-Discrimination)	95
Anti-discrimination and, where appropriate, diversity management policy	GRI 3-3 Management of material topics (Diversity and Equality of Opportunities and Non-Discrimination)	89–96
	GRI 406-1 Incidents of discrimination and corrective actions taken	95–96
INFORMATION ON RESPECT FOR HUMAN RIGHTS		
Policies		
Policies applied by the group, including the due diligence procedures applied to identify, assess, prevent, and mitigate significant risks and impacts, and to verify and control, as well as the measures that have been adopted.	GRI 3-3 Management of material topics	220–241 152–156
	GRI 2-23 Commitments and policies	220–241 152–156
Main risks		
Main risks related to issues associated with the group's activities, including, where relevant and proportionate, its commercial relations, products or services that may have negative effects in those areas, and how the group manages those risks, explaining the procedures used to identify and evaluate them pursuant to the national, European, or international reference frameworks for each subject. This should include information on the impacts that have been identified, giving a breakdown of these impacts, in particular on the main risks in the short, medium, and long term.	GRI 2-12 Highest governance body's role in impact management monitoring	220–241
Human Rights		
Application of human rights due diligence procedures	GRI 2-23 Commitments and policies	220–241 152–156
	GRI 2-26 Mechanisms for seeking advice and raising concerns	239–240
	GRI 3-3 Management of material topics (Human Rights Assessment)	220–241 152–156

	GRI 414-2 Negative social impacts in the supply chain and actions taken	220–241 152–156
Prevention of risks of human rights violations and, where appropriate, measures to mitigate, manage and redress any abuses committed	GRI 3-3 Management of material topics (Human Rights Assessment)	220–241 152–156
	GRI 412-2 Employee training on human rights policies or procedures	240–241
	GRI 412-1 Operations that have been subject to human rights reviews or impact assessments	152–156
Complaints about human rights violations	GRI 2-26 Mechanisms for seeking advice and raising concerns	240–241
	GRI 2-27 Compliance with laws and regulations	240–241
	GRI 3-3 Management of material topics (Human Rights Assessment)	152–156
Promotion of and compliance with the provisions of the fundamental ILO conventions relating to respect for freedom of association and the right to collective bargaining, the elimination of discrimination in employment and occupation, the elimination of forced or compulsory labour and the effective abolition of child labour.	GRI 3-3 Management of material topics (Non-discrimination; Freedom of Association and Collective Bargaining; Child Labour; Forced or Compulsory Labour and Human Rights)	220–241 152–156
INFORMATION RELATING TO THE FIGHT AGAINST CORRUPTION AND BRIBERY		
Policies		
Policies applied by the group, including the due diligence procedures applied to identify, assess, prevent, and mitigate significant risks and impacts, and to verify and control, as well as the measures that have been adopted	GRI 2-23 Commitments and policies	235–240
	GRI 3-3 Management of material topics	235–240

Main risks		
Main risks related to issues associated with the group's activities, including, where relevant and proportionate, its commercial relations, products or services that may have negative effects in those areas, and how the group manages those risks, explaining the procedures used to identify and evaluate them pursuant to the national, European, or international reference frameworks for each subject. This should include information on the impacts that have been identified, giving a breakdown of these impacts, in particular on the main risks in the short, medium, and long term.	GRI 2-12 Highest governance body's role in impact management monitoring	234–235
	GRI 205-1 Operations assessed for risks related to corruption	235–240
Corruption and bribery		
Measures taken to prevent corruption and bribery	GRI 3-3 Management of material topics (with a view to GRI 205 Anti-corruption)	
	GRI 205-2 Communication and training about anti-corruption policies and procedures	235–241
Measures to fight against money laundering	GRI 3-3 Management of material topics (Anti-corruption)	235–240
Contributions to foundations and non-profit entities	GRI 3-3 Management of material topics (Anti-corruption)	235–240
	GRI 201-1 Direct economic value generated and distributed	22
	GRI 203-2 Significant indirect economic impacts	8–17 32–36
	GRI 415-1 Contributions to political representatives and/or political parties	308
INFORMATION ABOUT THE COMPANY		
Policies		
Policies applied by the group, including the due diligence procedures applied to identify, assess, prevent, and mitigate significant risks and impacts, and to verify and control, as well as the measures that have been adopted.	GRI 3-3 Management of material topics	202–217

Main risks		
Main risks related to issues associated with the group's activities, including, where relevant and proportionate, its commercial relations, products or services that may have negative effects in those areas, and how the group manages those risks, explaining the procedures used to identify and evaluate them pursuant to the national, European, or international reference frameworks for each subject. This should include information on the impacts that have been identified, giving a breakdown of these impacts, in particular on the main risks in the short, medium, and long term.	GRI 2-12 Highest governance body's role in impact management monitoring	49–59
The company's commitments to sustainable development		
Impact of the company's activity on employment and local development	GRI 203-1 Infrastructure investments and services supported	7–17 33–36
	GRI 203-2 Significant indirect economic impacts	7–17 33–36
	GRI 204-1 Proportion of spending on local suppliers	134–165
	GRI 413-1 Operations with local community engagement, impact assessments, and development programmes	134–165 201–217
	GRI 413-2 Operations with significant actual and potential negative impacts on local communities	129 134–165 201–217
Impact of the company's activity on local populations and territory	GRI 203-1 Infrastructure investments and services supported	7–17 33–36
	GRI 203-2 Significant indirect economic impacts	7–17 33–36
	GRI 413-1 Operations with local community engagement, impact assessments, and development programmes	134–165 201–217
	GRI 413-2 Operations with significant actual and potential negative impacts on local communities	129 134–165 201–217
Relations maintained with local community stakeholders and the methods of dialogue with them	GRI 2-29 Approach to stakeholder engagement	41–43 201–217
	GRI 413-1 Operations with local community engagement, impact assessments, and development programmes	134–165 201–217
Association or sponsorship actions	GRI 2-28 Membership of associations	134–165 201–217
		7–17

	GRI 203-1 Infrastructure investments and services supported	33–36
	GRI 201-1 Direct economic value generated and distributed	22
Subcontracting and suppliers		
Inclusion of social, gender equality and environmental issues in procurement policy	GRI 3-3 Management of material topics (Environmental and Social Assessment of Suppliers)	139–143 152–157
Consideration in relations with suppliers and subcontractors of their social and environmental responsibility	GRI 2-6 Activities, value chain and other business relationships	152–157
	GRI 3-3 Management of material topics (Environmental and Social Assessment of Suppliers)	7–17 33–36
	GRI 308-1 New suppliers that were screened using environmental criteria	152–157
	GRI 308-2 Negative environmental impacts in the supply chain and actions taken	152–165
	GRI 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	306
	GRI 414-1 New suppliers that were screened using social criteria	152–157
	GRI 414-2 Negative social impacts in the supply chain and actions taken	152–157
Supervision and audit systems and results thereof	GRI 308-2 Negative environmental impacts in the supply chain and actions taken	152–165
	GRI 414-2 Negative social impacts in the supply chain and actions taken	152–157
Consumers		
Measures for the health and safety of consumers	GRI 3-3 Management of material topics (Customer Health and Safety)	100–108 189–200
	GRI 416-1 Assessment of the health and safety impacts of product and service categories	308
	GRI 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	309
	GRI 417-1 Requirements for product and service information and labelling	309
Complaint systems, complaints received and their resolution	GRI 2-26 Mechanisms for seeking advice and raising concerns	200 239–240
	GRI 3-3 Management of material topics (Customer Health and Safety)	100–108 189–200
	GRI 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	309

Tax information		
Profits obtained by country	GRI 207-4 Country-by-country reporting	212–217
Income taxes paid	GRI 207-4 Country-by-country reporting	212–217
Public subsidies received	GRI 201-4 Financial assistance received from government	212–217
Alignment of the activity with the European taxonomy of sustainable activities		
Alignment of the activity with the European taxonomy of sustainable activities	Activities aligned with the European taxonomy Annex III - Methodology for calculating alignment with taxonomy	23–29 287–293

ANNEX VI
SASB CONTENT INDEX

SASB STANDARD: RENEWABLE RESOURCES AND ALTERNATIVE ENERGY SECTOR				
SASB Code-Indicator		**Category**	**Standard used (GRI)**	**Pages**
PULP AND PAPER PRODUCTION (RR-PP)				
Greenhouse Gas Emissions (GHG)				
RR-PP-110a.1	Scope 1 direct GHG emissions	Quantitative	GRI 305-1 Direct GHG emissions (Scope 1)	172–176
RR-PP-110a.2	Short- and long-term strategy or plan for the management of Scope 1 direct emissions, emission reduction objectives and monitoring of these targets	Discussion and analysis	GRI 305-5 Reduction of GHG emissions	172–176
Air quality				
RR-PP-120a.1	Emissions of NOx (excluding N2O), SO_2, volatile organic compounds (VOCs), particulate matter and hazardous pollutants (HAPs)	Quantitative	GRI 305-7 Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	109–133 248–285
Energy Management				
RR-PP-130a.1	Energy consumed, percentage pertaining to the grid, consumption percentage from biomass generation, percentage from other renewable source	Quantitative	GRI 302-1 Energy consumption within the organisation	109–133 248–285
Water management				
RR-PP-140a.1	Water uptake and consumption, and percentage of consumption in regions of high or extreme water stress	Quantitative	GRI 303-3 Water withdrawal	109–133
			GRI 303-4 Water discharge	302
			GRI 303-5 Water consumption	109–133 248–285
RR-PP-140a.2	Description of water risk management and discussion of water risk mitigation strategies and practices	Discussion and analysis	GRI 3-3 Management of material topics (Water and effluents)	122–125
			GRI 3-3 Management of material topics (Water and effluents)	122–125
Supply chain management				
RR-PP-430a.1	Percentage of timber from third parties certified to each certification standard,	Quantitative	There is no specific GRI standard; Ence reports this information in the	135–165

	and certification of timber from other sources		Commitment to the rural environment section	
RR-PP-430a.2	Percentage of recycled timber purchased	Quantitative	Ence does not use recycled timber in its production processes	-
Activity parameters				
RR-PP-000.A	Pulp production	Quantitative	There is no specific GRI standard, Ence reports this information in the Commitment to clients section	190–200
RR-PP-000.C	Wood fibre supplied	Quantitative	Ence does not buy wood fibre, it uses unprocessed virgin wood for cellulose production	-
FOREST MANAGEMENT (RR-FM)				
Ecosystem services and impacts				
RR-FM-160a.1	Forest area surface certified by a qualified third party and percentage certified to each standard	Quantitative	There is no specific GRI standard; Ence reports this information in the Commitment to the rural environment section	135–165
RR-FM-160a.2	Forest area surface classified as protected for conservation purposes	Quantitative	There is no specific GRI standard; Ence reports this information in the Commitment to the rural environment section	135–165
RR-FM-160a.3	Forest area surface in protected species habitat	Quantitative	There is no specific GRI standard; Ence reports this information in the Commitment to the rural environment section	135–165
RR-FM-160a.4	Description of the approach to optimising opportunities for forest services	Discussion and analysis	There is no specific GRI standard; Ence reports this information in the Commitment to the rural environment section	135–165
Rights of indigenous people				
RR-FM-210a.2	Description of commitment and good practices on the respect for human rights, the rights of indigenous people, and the local community	Discussion and analysis	GRI 3-3 Management of material topics (Assessment of Human Rights, Rights of Indigenous People, and the Local Community)	306–307 156–157
			GRI 3-3 Management of material topics (Assessment of Human Rights, Rights of Indigenous People, and the Local Community)	306–307 156–157

			GRI 3-3 Management of material topics (Assessment of Human Rights, Rights of Indigenous People, and the Local Community)	306–307 156–157
			GRI 412-1 Operations that have been subject to human rights reviews or impact assessments	307
			GRI 412-2 Employee training on human rights policies or procedures	307
			GRI 411-1 Incidents of violations involving rights of indigenous peoples	307
			GRI 413-1 Operations with local community engagement, impact assessments, and development programmes	134–165 201–217
			GRI 413-2 Operations with significant actual and potential negative impacts on local communities	129 134–165 201–217
Adaptation to climate change				
RR-FM-450a.1	Description of strategy for managing risks and opportunities for timber production and forest management arising from climate change	Discussion and analysis	There is no specific GRI standard, Ence reports this information in the Commitment to the climate, Forestry R&D&I and Commitment to the rural environment sections	167–188 66–68 135–165
Activity parameters				
RR-FM-000.A	Forest area owned, leased or managed by the company	Quantitative	There is no specific GRI standard; Ence reports this information in the Commitment to the rural environment section	135–165
RR-FM-000.C	Timber harvest volume	Quantitative	There is no specific GRI standard; Ence reports this information in the Commitment to the rural environment section	135–165

BIOFUELS (RR-BI)				
Air quality				
RR-BI-120a.1	Emissions of NOx (excluding N2O), SO_2, volatile organic compounds (VOCs), particulate matter (PM10) and hazardous air pollutants (HAPs)	Quantitative	GRI 305-7 Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	109–133 248–285
RR-BI-120a.2	Number of incidents or non-compliance with permits, standards or regulations associated with air quality	Quantitative	GRI 2-27 Compliance with laws and regulations	298
Process water management				
RR-BI-140a.1	Water uptake and consumption, and percentage of consumption in regions of high or extreme water stress	Quantitative	GRI 303-3 Water withdrawal	109–133
			GRI 303-4 Water discharge	302
			GRI 303-5 Water consumption	109–133 248–285
RR-BI-140a.2	Description of water risk management and discussion of water risk mitigation strategies and practices	Discussion and analysis	GRI 303-1 Interaction with water as a shared resource	109–133
			GRI 303-2 Management of impacts related to water discharges	109–133
RR-BI-140a.3	Number of incidents or non-compliance with permits, standards or regulations associated with water quality	Quantitative	GRI 2-27 Compliance with laws and regulations	298
Lifecycle emissions				
RR-BI-410a.1	Lifecycle GHG emissions by biofuel type	Quantitative	GRI 305-1 Direct GHG emissions (Scope 1)	166–188
			GRI 305-4 GHG emissions intensity	166–188
Sourcing and environmental impacts of raw material production				
RR-BI-430a.1	Discussion of the risk management strategy associated with the environmental impact of raw material production	Discussion and analysis	There is no specific GRI standard, Ence reports this information in the Eco-efficient Operations and Commitment to the rural environment sections	109–133 134–165
RR-BI-430a.2	Percentage of biofuel produced by third parties certified to an environmental sustainability standard	Quantitative	Ence does not use biofuels produced by third parties. However, Ence certifies the biomass it uses in its facilities with its own sustainability standard (Code for the	-

			sustainability of biomass as a fuel) and, since 2021, Ence has been working with the SURE biomass sustainability standard. At the end of the year, all Ence's facilities were certified to this standard and over 90% of biomass inputs to the plants were also certified to this standard. More information in the Commitment to the rural environment section.	
Management of the legal and regulatory environment				
RR-BI-430a.1	Subsidies received through government programmes	Quantitative	GRI 201-4 Financial assistance received from government	212–217
RR-BI-430a.2	Discussion of the corporate position on government regulation and proposed policies for increasing the relevance of environmental and social factors on the industry	Discussion and analysis	There is no specific GRI standard, Ence reports this information in the Commitment to communities and Commitment to the rural environment sections	201–217 134–165
Operational safety, emergency vigilance and response				
RR-BI-540a.1	Incidents during operation, and frequency and severity rates of incidents that have occurred	Quantitative	GRI 403-9 Injuries due to occupational accidents	100–108 248–285
			GRI 403-10 Occupational diseases and illnesses	100–108
Activity parameters				
RR-BI-000.A	Biofuel production capacity	Quantitative	There is no specific GRI standard; Ence reports this information in the Getting to know Ence section	7–17
RR-BI-000.B	Production of renewable fuel, advanced renewable fuel, diesel from biomass and fuel from pulp	Quantitative	There is no specific GRI standard, Ence does not produce biofuels, it uses residual agroforestry biomass for direct electricity generation and in its biofactories it uses the lignin and biomass left over from the pulp production process as fuel in cogeneration	-

			(direct production of steam and electricity).	
RR-BI-000.C	Amount of raw material consumed in production	Quantitative	GRI 301-1 Materials used by weight or volume	109–133 248–285
TAXONOMY				
Content of EU Regulation 2020/852 - Taxonomy	Requirements of the regulation	Quantitative	Ence's own methodology based on Article 8 of the European Taxonomy and following the recommendations issued by the Commission	23–29 287–293

ANNEX VII
TCFD CONTENT INDEX

Task Force on Climate-Related Financial Disclosures (TFCD) recommendations		
Recommendations	**Section of the Report**	**Pages**
GOVERNANCE		
Describe the Board's oversight of risks and opportunities related to climate change.	To the climate	176
Describe the role of management in assessing and managing risks and opportunities related to climate change.	To the climate	177
STRATEGY		
Describe the risks and opportunities related to climate change that the organisation has identified in the short, medium and long term.	To the climate	177–179
Describe the impact of climate change-related risks and opportunities on the organisation's business, strategy and financial planning.	To the climate	180–185
Describe the resilience of the organisation's strategy, taking into account different climate scenarios, including a scenario of 2°C or less.	To the climate	185–187
RISK MANAGEMENT		
Describe the organisation's processes for identifying and assessing risks related to climate change.	To the climate	187
Describe the organisation's processes for managing risks related to climate change.	To the climate	187
OBJECTIVES AND METRICS		
Report on the metrics used by the organisation to assess risks and opportunities related to climate change in line with its strategy and risk management process.	To the climate	188
Report on scope 1, scope 2, and if appropriate, scope 3 greenhouse gas (GHG) emissions and associated risks.	To the climate	172–176
Describe the objectives used by the organisation to manage risks and opportunities related to climate change and its performance against the objectives.	To the climate	168–171

ANNEX VIII DESCRIPTION OF ALTERNATIVE PERFORMANCE MEASURES (APMs)

In accordance with the observations published by the CNMV in its circular dated 17 April 2023, Ence details the Alternative Performance Measures (APMs) included in this Statement of Non-Financial Information, to enable investors and other stakeholders of the company to understand the meaning of these financial figures and facilitate their comparability and reliability.

The financial performance metrics included in this report for the financial year 2023, including their definition, reconciliation, comparison and other characteristics defined in the APM Guidelines published by ESMA in 2015, are listed below:

Direct economic value generated, distributed economic value and retained economic value

Act 11/2018, of 28 December, establishes that companies obliged to disclose non-financial information must base their reporting on national, European Union or international regulatory frameworks, citing among the latter the GRI's Global Reporting Initiative (GRI Sustainability Reporting Standards). This is the main reporting framework worldwide and the one used by Ence in the preparation of its sustainability reports.

The **direct economic value generated** is included in the "Performance 2023" section of the company's Sustainability Report (EINF). This dimension is included in the GRI standard 201-1 a. - Economic Value Generated and Distributed (EVGD).

GRI justifies the relevance of the VEGD indicator set by stating that information on the creation and distribution of economic value serves as a basic indication of how an organisation generates wealth for its stakeholders and provides useful information for them on the economic value added to the local economies in which the organisation operates.

The magnitude of direct economic value generated corresponds to the income earned by the organisation in the reporting period, including ordinary income and other operating income in the consolidated income statement.

The **economic value distributed** is a magnitude included in the "Performance 2023" section of the company's Sustainability Report (EINF). This dimension is included in the GRI standard 201-1 a. - Economic Value Generated and Distributed (EVGD).

Distributed economic value is used to report on the organisation's generation of value for its stakeholders, including employees, suppliers, shareholders, governments and communities.

This magnitude is calculated by adding:

- ✓ Operating costs, which include the following captions in the consolidated income statement: "Procurements", "Other operating expenses", except for taxes and electricity generation tax included under this caption, "Results on hedging transactions" and "Changes in inventories of finished goods and work in progress".
- ✓ Salaries and social benefits for employees, which are included under the heading "Staff costs", except for the account "Employer's social security contributions".

- ✓ Payments to capital providers and shareholders reflecting interest and dividend payments disclosed in the "Statement of cash flows".
- ✓ Payments to governments in terms of taxes, fees or penalties. Only the direct tax contribution of the consolidated Group is taken into account, net of grants taken to income. The direct tax contribution includes payments for the following taxes: Corporate Income Tax, Tax on the Generation of Electrical Energy, Social Security, Environmental Taxes, Business Tax, Real Estate Tax and other Local Taxes. This excludes certain taxes which, although they are contributions to public authorities as a result of the activity carried out by Ence, Ence acts as the payer and a third party pays the tax. This group mainly includes Value Added Tax, withholdings and social security taxes applicable to employees.
- ✓ Investments in the community; amounts paid as a result of collaboration agreements signed with different public and private bodies, aimed at the development of the Society as a whole.

The **retained economic value** is a magnitude included in the "Performance 2023" section of the company's Sustainability Report (EINF). This dimension is included in the GRI standard 201-1 a. - Economic Value Generated and Distributed (EVGD).

The economic value retained is a magnitude derived from the two previous ones and is calculated by subtracting from the economic value generated by the organisation the economic value distributed among its stakeholders in the reporting period.

A reconciliation to the 2023 financial statements and a comparison with the previous year is presented below, with no change in the criteria applied in either period:

	Unit	Financial Statement Source (*)	2023	2022
GENERATED ECONOMIC VALUE				
Ordinary income	M €	P&L	830	1,003
Other operating income	M €	P&L	15	14
Total economic value generated			**844**	**1,017**
ECONOMIC VALUE DISTRIBUTED				
Operating costs				
Result on hedging transactions	M €	P&L	(0)	(20)
Change in stocks of finished goods and work in progress	M €	P&L	(20)	4
Procurement	M €	P&L	(416)	(400)
Other operating expenses	M €	P&L	(230)	(290)
Tax on electricity generation and other taxes	M €		5	5
	M €		**(661)**	**(702)**
Salaries and welfare plans for employees				
Staff costs	M €	P&L	(104)	(93)
Social security	M €	Breakdown in Autonomous Regions	20	17
	M €		**(84)**	**(76)**
Payments to capital providers and shareholders				
Net interest payments (includes right-of-use assets)	M €	EFE	(26)	(23)
Dividends paid	M €	EFE	(145)	(68)
	M €		**(171)**	**(91)**
Payments to governments (taxes, fees, fines)				
Capital grants transferred to profit and loss	M €	P&L	9	10
Direct tax contribution	M €		(32)	(46)
	M €		**(23)**	**(36)**
Investments in the community	M €		(2)	(0)
	M €		**(2)**	**(0)**
Total economic value distributed	M €		**(941)**	**(906)**
RETAINED ECONOMIC VALUE			**(96)**	**111**

OPEX

The percentage of **eligible OPEX** according to the European taxonomy of sustainable finance is a metric included in the "Activities aligned with the European taxonomy" section of the company's Sustainability Report (EINF) that measures the proportion of its operating expenses related to assets or processes associated with activities that are considered environmentally sustainable, as defined in Article 8(2)(b) of Regulation (EU) 2020/852.

Among the activities carried out by Ence, renewable energy generation (Art. 10.1.a) and forestry activities (Art.10.1.f: strengthening land carbon sinks) are considered eligible under Regulation 2020/852, due to their substantial contribution to climate change mitigation and adaptation.

From 2022, in accordance with Delegated Regulation (EU) 2022/1214 of 9 March 2022 amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards public disclosure of specific information on these economic activities, certain gaseous fossil fuel power generation activities also became eligible. In this context, in the case of Ence, the cogeneration activity at the Bioenergía Santamaría plant is also considered eligible, as it falls under the new section 4.30 of Annex I to Regulation 2021/2139 "High efficiency cogeneration of heat/cold and electricity from gaseous fossil fuels" and specifically under the heading "construction, renovation and operation of combined heat/cold and electricity generation facilities using gaseous fossil fuels". This activity was not considered eligible in the 2021 exercise and was therefore not included in the computation.

In 2023, Delegated Regulation (EU) 2023/2486 of 27 June 2023 was published, supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical selection criteria for determining under which conditions an economic activity shall be considered to contribute substantially to the sustainable use and protection of water and marine resources, to the transition to a circular economy, to the prevention and control of pollution, or to the protection and restoration of biodiversity and ecosystems, and for determining whether such economic activity does not cause significant harm to any of the other environmental objectives, and amending Commission Delegated Regulation (EU) 2021/2178 regarding the disclosure of specific public information on such economic activities. According to this Delegated Regulation, activity 2.2 - Production of alternative water resources for purposes other than human consumption (water recovery project implemented at the Pontevedra biofactory) and activity 2.5 - Recovery of biowaste through anaerobic digestion or composting, in the case of the activities planned in the new Ence Biogas business line, are considered eligible due to their substantial contribution to the transition towards a circular economy. Activity 1.1 - Conservation, including the recovery of habitats, ecosystems and species, is also considered eligible for its substantial contribution to the protection and recovery of biodiversity and ecosystems in the case of the ecosystem protection activities that Ence carries out in the part of its forest estate dedicated to conservation.

Cellulose production is not considered eligible for the time being, as it is not included among the activities mentioned in the Regulation or in the delegated regulations, even though the TEG (Technical Expert Group) in its report published in 2020 acknowledges that the section on manufacturing industries should be extended to cover other activities in the short term, such as cellulose and paper production.

This magnitude is calculated by dividing the part related to eligible activities according to this taxonomy by the total costs related to research and development (R&D expenditure items), maintenance (repairs and maintenance item) and leasing (leasing and rent items). This calculation follows the methodology described in the Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 (Annex I, section 1.1.3). -Key performance indicator relating to OpEx operating expenses).

The percentage of **OPEX aligned** with the European taxonomy of sustainable finance is a magnitude included in the "Activities aligned with the European taxonomy" section of the company's Sustainability Report (EINF) that measures the proportion of its operating expenses related to assets or processes associated with activities that meet the criteria set out in article 3 of Regulation (EU) 2020/852 (substantial contribution to the EU's environmental objectives, technical selection criteria, criteria to ensure that they do not cause significant harm to any of the environmental objectives and criteria to ensure that it is carried out in compliance with the minimum safeguards set out in Art. 18 of the same Regulation).

This magnitude is calculated by dividing the part related to aligned activities (as detailed in Annex III of the EINF) by the total costs related to research and development (R&D expenditure items), maintenance (repairs and maintenance item) and leasing (leasing and rent items). This calculation follows the methodology described in the Commission Delegated Regulation (EU) 2021/2178 of 6

July 2021 (Annex I, section 1.1.3). -Key performance indicator relating to OpEx operating expenses).

These magnitudes are considered relevant since, under Regulation (EU) 2020/852, any company obliged to publish non-financial information under the provisions of Directive 2013/34/EU, as is the case of Ence, must include in its EINF information on how and to what extent its activities are associated with economic activities that are considered environmentally sustainable. In this context, the reporting of this magnitude is included in the disclosure requirements for non-financial firms set out in Article 10 (entry into force and application) of Delegated Regulation (EU) 2021/2178. For the disclosure of these magnitudes, the "templates for key performance indicators for non-financial corporations" included in Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023, amending Commission Delegated Regulation (EU) 2021/2178 as regards the disclosure of specific public information on these economic activities, have been used.

A reconciliation to the financial statements for the year 2023 and a comparison with the previous year is presented below:

	Unit	Financial Statement Source (*)	2023	2022
OPERATING COSTS-				
R&D expenditure	M €	Breakdown in Autonomous Regions	-	-
Leases and royalties	M €	Breakdown in Autonomous Regions	1	1
Repairs and maintenance	M €	Breakdown in Autonomous Regions	39	41
			40	**42**
ELIGIBLE OPERATING COSTS-				
R&D expenditure	M €		-	-
Leases and royalties	M €		-	-
Repairs and maintenance	M €		22	25
			22	**25**
% OF ELIGIBILITY	%		**56%**	**60%**
ALIGNED OPERATING COSTS				
R&D expenditure	M €		-	
Leases and royalties	M €		-	
Repairs and maintenance	M €		22	
			22	
% OF ALIGNMENT	%		**55%**	

(*) "Breakdown by Autonomous Communities" will refer to the fact that this magnitude appears broken down in the notes to the consolidated annual accounts of ENCE for the reference financial year

CAPEX

The percentage of **eligible CAPEX** according to the European taxonomy of sustainable finance is a metric included in the "Activities aligned with the European taxonomy" section of the company's Sustainability Report that measures the proportion of additions to tangible and intangible assets related to assets or processes associated with activities that are considered environmentally sustainable, as defined in Article 8(2)(b) of Regulation (EU) 2020/852 (see eligible activities detailed in the indicator above).

This magnitude is calculated by dividing the portion related to eligible activities according to this taxonomy by the total additions of assets for the year. This calculation follows the methodology described in the Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 (Annex I, section 1.1.2). Key performance indicator relating to capital expenditure (CapEx).

The percentage of **CAPEX aligned** with the European taxonomy of sustainable finance is a metric included in the "Activities aligned with the European taxonomy" section of the company's

Sustainability Report (EINF) that measures the proportion of additions to tangible and intangible assets related to assets or processes associated with activities that are considered to be aligned with the taxonomy, i.e. that meet the criteria set out in Article 3 of Regulation (EU) 2020/852 (substantial contribution to EU environmental objectives, technical selection criteria, criteria to ensure that they do not cause significant harm to any of the environmental objectives and criteria to ensure that it is carried out in accordance with the minimum safeguards set out in Art. 18 of the same Regulation). From 2023, the substantial contribution is no longer limited to climate change mitigation and/or adaptation targets, but extends to all six European environmental targets.

This magnitude is calculated by dividing the part related to activities aligned according to this taxonomy (as detailed in Annex III of the EINF) by the total number of asset additions for the year. This calculation follows the methodology described in the Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 (Annex I, section 1.1.2). Key performance indicator relating to capital expenditure (CapEx).

As in the case of OPEX, these magnitudes are considered relevant since, under Regulation (EU) 2020/852, any company obliged to publish non-financial information under the provisions of Directive 2013/34/EU, as is the case of Ence, must include in its EINF information on how and to what extent its activities are associated with economic activities that are considered environmentally sustainable. In this context, the reporting of this magnitude is included in the disclosure requirements for non-financial firms set out in Article 10 (entry into force and application) of Delegated Regulation (EU) 2021/2178. For the disclosure of these magnitudes, the "templates for key performance indicators for non-financial corporations" included in Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023, amending Commission Delegated Regulation (EU) 2021/2178 as regards the disclosure of specific public information on these economic activities, have been used.

A reconciliation to the financial statements for the year 2023 and a comparison with the previous year is presented below:

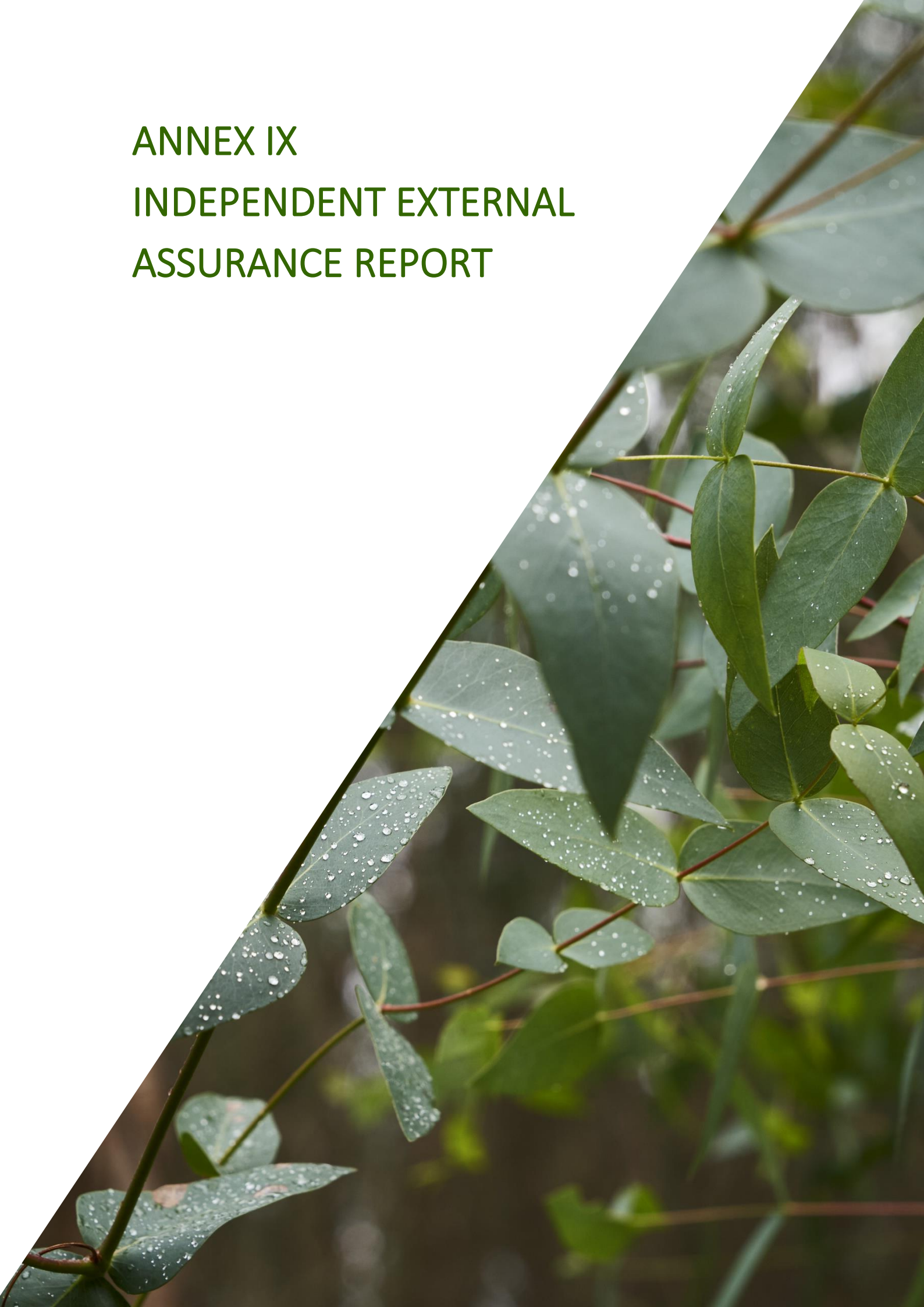
	Unit	Financial Statement Source (*)	2023	2022
INVESTMENTS IN PRODUCTIVE ASSETS				
Intangible fixed assets, Property, plant and equipment and biological assets	M €	Breakdown in Autonomous Regions	100	55
Rights of use assets	M €	Breakdown in Autonomous Regions	10	11
	M €		**110**	**66**
INVESTMENTS IN ELIGIBLE PRODUCTIVE ASSETS-				
Intangible fixed assets, Property, plant and equipment and biological assets	M €		75	31
	M €		**75**	**31**
% OF ELIGIBILITY	%		**68%**	**46%**
INVESTMENTS IN ALIGNED PRODUCTIVE ASSETS-				
Intangible fixed assets, Property, plant and equipment and biological assets	M €		53	
	M €		**53**	
% OF ALIGNMENT	%		**48%**	

(*) "Breakdown by Autonomous Communities" will refer to the fact that this magnitude appears broken down in the notes to the consolidated annual accounts of ENCE for the reference financial year

Other

The sustainability report also includes other financial performance indicators (EBITDA, financial debt, etc.) and other financial indicators whose definition, reconciliation, comparison and other characteristics defined in the APM Guidelines are detailed in Appendix I to the Management Report "Group activity in 2023" accompanying the consolidated annual accounts of Ence Energía y Celulosa for the 2023 financial year.

ANNEX IX
INDEPENDENT EXTERNAL ASSURANCE REPORT



KPMG

Ence Energía y Celulosa, S.A. and Subsidiaries

Independent Assurance Report on the Sustainability Report which includes the Non-Financial Information Statement (NFIS)

29 February 2024

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

KPMG Auditores, S.L.
Pº. de la Castellana, 259 C
28046 Madrid

Independent Assurance Report on the Sustainability Report of Ence Energía y Celulosa, S.A. and subsidiaries for 2023

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the shareholders of Ence Energía y Celulosa, S.A.

We have been engaged by Ence Energía y Celulosa, S.A. management to perform a limited assurance review of the accompanying Sustainability Report (hereinafter, the Report) of Ence Energía y Celulosa, S.A. (hereinafter, the Parent) and subsidiaries (hereinafter, the Group) for the year ended 31 December 2023, prepared in accordance with the Sustainability Reporting Standards (hereinafter, GRI Standards), as described in "Appendix IV - GRI Index", of the Report.

In addition, pursuant to article 49 of the Spanish Code of Commerce, we have performed a limited assurance review of the Consolidated Non-Financial Information Statement (hereinafter NFIS) of the Group at 31 December 2023, included in the Report, which in turn forms part of the Group's consolidated Directors' Report, prepared in accordance with prevailing legislation and GRI Standards, based on each subject area in the "Appendix V - ACT 11/2018 Index" table of the aforementioned NFIS.

The Report includes additional information to that required by GRI standards and prevailing mercantile legislation concerning non-financial information, which has not been the subject of our assurance work. Our work was limited exclusively to providing assurance on the information identified in the " Appendix IV - GRI Index", and "Appendix V - ACT 11/2018 Index" tables of the accompanying Report.

Responsibility of the Parent's Directors and Management

Management of the Parent is responsible for the preparation and presentation of the Report in accordance with the GRI Standards, in accordance with each subject area in the "Appendix IV - GRI Index" table of the Report.

In addition, the Directors of the Parent are responsible for the content and authorisation for issue of the NFIS included in the Group's consolidated Directors' Report. The NFIS has been prepared in accordance with prevailing mercantile legislation and selected Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards) based on each subject area in the "Appendix V - ACT 11/2018 Index" table of the aforementioned NFIS.

This responsibility also encompasses the design, implementation and maintenance of internal control deemed necessary to ensure that the Report is free from material misstatement, whether due to fraud or error.

The Directors of the Parent are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the Report was obtained.

Filed at the Madrid Mercantile Registry in volume 11,961, sheet 90, section 8, page number M-188,007, entry number 9
N.I.F. B-78510153

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including international independence standards) of the International Ethics Standards Board for Accountants (IESBA Code of Ethics), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Management 1 (ISQM1), which requires us to design, implement and operate a system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The engagement team was comprised of professionals specialised in reviews of non-financial information and, specifically, in information on economic, social and environmental performance.

Our Responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed. We conducted our engagement in accordance with the requirements of the Revised International Standard on Assurance Engagements 3000, "Assurance Engagements other than Audits or Reviews of Historical Financial Information" (ISAE 3000 (Revised)), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the guidelines for assurance engagements on the Non-Financial Information Statement issued by the Spanish Institute of Registered Auditors (ICJCE).

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently, the level of assurance provided is also lower.

Our work consisted of making inquiries of management, as well as of the different units and areas of the Group that participated in the preparation of the Report, reviewing the processes for compiling and validating the information presented in the Report and applying certain analytical procedures and sample review tests, which are described below:

- Meetings with the Group's personnel to gain an understanding of the business model, policies and management approaches applied, the principal risks related to these matters and to obtain the information necessary for the external review.
- Analysis of the scope, relevance and completeness of the content of the Report for 2023 based on the materiality analysis performed by the Group and described in the "Materiality analysis and stakeholder dialogue" section, considering the content required by prevailing mercantile legislation.
- Analysis of the processes for compiling and validating the data presented in the Report for 2023.
- Review of the information relative to the risks, policies and management approaches applied in relation to the material aspects presented in the Report for 2023.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

- Corroboration, through sample testing, of the information relative to the content of the Report for 2023 and whether it has been adequately compiled based on data provided by the information sources.
- Procurement of a representation letter from the Directors and management.

Conclusion

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that:

- The Sustainability Report of Ence Energía y Celulosa, S.A. and subsidiaries for the year ended 31 December 2023 has not been prepared, in all material respects, in accordance with the GRI Standards, as described in the "Appendix IV - GRI Index" table of the Report.
- The NFIS of Ence Energía y Celulosa, S.A. and subsidiaries for the year ended 31 December 2023 included in the Report, has not been prepared, in all material respects, in accordance with prevailing mercantile legislation and selected GRI Standards based on each subject area in the "Appendix V - ACT 11/2018 Index" table of the Report.

Emphasis of Matter

Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and the delegated acts promulgated in accordance with this Regulation, stipulate the obligation to disclose information on how and to what extent the undertaking's activities are associated with eligible economic activities relating to the environmental objectives of sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control and protection and restoration of biodiversity and ecosystems (the other environmental objectives), and relating to certain new activities included in the objectives of climate change mitigation and adaptation. This obligation applies for the first time for the 2023 fiscal year, in addition to the information related to eligible and aligned activities required in 2022 associated with the climate change mitigation and climate change adaptation objectives. Therefore, no comparative information on eligibility has been included in the NFIS for the other environmental objectives listed above or for the new activities included in the climate change mitigation and adaptation objectives. Furthermore, inasmuch as the information relating to 2022 was not required to be as detailed as in 2023, the disclosures included in the NFIS are not strictly comparable. The Directors of Ence Energía y Celulosa, S.A. have included information on the criteria that, in their opinion, best allow them to comply with the aforementioned obligations, which are defined in the "Activities aligned with European taxonomy" of the NFIS included in the accompanying Report. Our conclusion is not modified in respect of this matter.

Use and Distribution

In accordance with the terms of our engagement letter, this Report has been prepared for Ence Energía y Celulosa, S.A. in relation to its Sustainability Report and for no other purpose or in any other context.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

In relation to the Consolidated NFIS, this report has been prepared in response to the requirement established in prevailing mercantile legislation in Spain, and thus may not be suitable for other purposes and jurisdictions.

KPMG Auditores, S.L.

(Signed on original in Spanish)

Marta Contreras Hernández

29 February 2024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ENERGÍA & CELULOSA