


ENCE ENERGÍA Y CELULOSA		 <p>ence ENERGÍA & CELULOSA</p>	
NAME		SUSTAINABILITY POLICY	
MANAGEMENT		BOARD OF DIRECTORS	
PROCEDURE		RSC-01	DATE 31 October 2018
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1.- Introduction

ENCE is a benchmark company in Europe in the eucalyptus pulp market, a leader in renewable energy with biomass, which bases its activity on the integral and responsible management of wood, environmental protection and respect for the environment and people, their safety and development.

In keeping with the above, in recent years ENCE has been systematically developing initiatives aimed at ensuring that its activity is carried out in accordance with the aforementioned principles of economic, environmental, labour and social sustainability, focusing on the relationship and proximity to its environment, its problems, its development and the improvement of the quality of life of the people living in it.

These initiatives are based on the principles of the ENCE Code of Conduct, which define the ethical bases of behaviour necessary to create a solid corporate culture with which all stakeholders can identify and to build the company's reputation.

Commitment and transparency with stakeholders are two of ENCE's guiding principles. Consequently, the company maintains open and fluid communication with all of them, with the aim of knowing their expectations and transmitting its commitments and progress in sustainability.

2.- Objective

In accordance with regulatory requirements and recommendations on good corporate governance, ENCE's Board of Directors resolved to approve the company's first Corporate Social Responsibility policy in 2015 and ensure its implementation and compliance. This sustainability policy contains and updates the content of the aforementioned CSR policy and aims to mark ENCE's guidelines for action to help improve the well-being of people, ensuring the environmental sustainability of its operations, fostering the economic and social development of the communities in which it is present and creating sustainable value over time for its shareholders and investors, employees, forest owners, clients and suppliers, stakeholders, the community and the environment.

This sustainability policy cannot be viewed in isolation from the rest of the rules regulating ENCE's governance system, the maximum exponent of which is the Code of Conduct which establishes the principles and values that should guide the conduct of all company employees, among themselves and in their relations with stakeholders, and in which a true corporate ethical culture is fostered.

Ence offers an Internal Information Channel through which any person can report any irregularity contrary to the Law, the Code of Conduct or Ence's internal regulations and procedures. This channel is a tool managed by the person responsible for the Internal Information System that guarantees confidentiality in communications, absence of retaliation, impartiality and respect for the rights of all parties involved.

3.- Corporate strategy

ENCE puts sustainability at the core of its business. Integrated into its forestry, production and electricity generation activities and its management model are economic, social and environmental sustainability criteria which guarantee orientation towards results, mutual benefit in relations with suppliers, forest owners, clients and other stakeholders and the management of impacts on the surroundings.

ENCE's mission is to efficiently and competitively offer solutions to meet the needs of our clients, promote a sustainable forestry sector and grow and diversify into renewable energy and pulp. To do so, ENCE is committed to continuous improvement that leads the company to be more efficient and competitive, together with a commitment to people, their safety and development, with the environment and with the surroundings.

ENCE's vision is to be a leader in the total and sustainable use of trees and other natural resources for the production of special pulp and renewable energy

The pillars of the corporate strategy are linked to efficiency in production processes, diversification of sales, the growth of renewable energy production activity and the maintenance of a solid and robust financial structure, all coupled with maximum respect for the environment and the surroundings.

4.- General principles

To achieve its mission and its vision, ENCE bases its activity on the following principles, which act as a frame of reference to inspire and regulate the organisation's operations:

- **Commitment and respect for the legality and ethical principles of ENCE: we have the duty to comply with, respect and apply the laws and internal regulations of our company, in the performance of the functions assigned to each of us.**
- **Commitment to Human rights:** we are committed to respecting internationally recognised human rights included in the United Nations International Bill of Human

Rights and in the Universal Declaration of Human Rights, the International Covenant on Economic, Social and Cultural Rights and the International Covenant on Civil and Political Rights comprising it; as well as in the ILO Declaration on Fundamental Principles and Rights at Work and its conventions.

We are also committed to carry out our activities in strict compliance with applicable regulations and in accordance with the highest ethical standards and standards of conduct, including 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.

Thus, we prevent our own activities from causing or contributing to negative impacts on human rights and address such consequences when they occur; and we seek to prevent or mitigate negative impacts on human rights directly related to transactions, products or services provided in the framework of our business relationships, even when we have not contributed to generating them.

- **Commitment to people:** we respect and listen to people, recognise and value their work and contributions, take into account their safety and their professional and personal development, we communicate, we create relationships of trust and actively foster a good working climate.
- **Commitment to our external and internal clients:** we listen to our clients and work to meet their needs and expectations, we are consistent, we do what we say and we deliver on our commitments.
- **Commitment to institutions:** we collaborate with various institutions in the places where we carry out our industrial activity and contribute to the common goal of improving the quality of life of the society that hosts us and of which we form part.
- **Commitment to the environment:** we pursue the sustainability of all our operations: economic, environmental and social, through responsible and sustainable management.
- **Commitment to improvement:** we are professionals, nonconformists, we learn and improve continuously, we encourage initiative and teamwork, we seek excellence in management.

- **Commitment to results:** we strive for results and to provide value to our shareholders, we like to meet our objectives and commitments, we work as a team.
- **Commitment to ENCE:** the ENCE project is our personal and collective commitment, the company feels like our own and we are proud to work here.

5.- Commitments to stakeholders

Stakeholders — the individuals, groups or institutions affected by ENCE’s activity and who can significantly influence its activity, are one of the main pillars of this sustainability policy.

ENCE’s commitment to its various stakeholders is part of its vision, which refers to shareholders and investors, people, clients, suppliers, forest owners, public administrations, communities in which it operates and groups of influence.

Our commitments to these stakeholders are detailed below:

5.1 Commitment to shareholders and investors

At ENCE, we are committed to creating value for our shareholders and investors and do so through management based on transparency and proximity to the financial market. We have a strong financial structure that acts as a competitive lever with a special focus on maintaining a low level of indebtedness and a solid liquidity position.

5.2 Commitment to people

We are aware of, comply with and/or enforce the rules for dealing/behaving with others and safety procedures. We look after relationships and treat people with courtesy, consideration and respect, caring for our own and others’ safety.

We foster better working relationships and a safer environment. We value and appreciate other’s work, time and contributions, we listen to their opinions and share information and knowledge openly and transparently, identifying risk situations.

We are proactive with people. We offer help and devote time to others, and we actively contribute with our behaviour and contributions to making the environment, relationships and working conditions more pleasant and safe.

We ensure equal opportunities and avoid discrimination in all its forms, focusing on diversity as a lever for competitiveness. We provide continuous training and development opportunities for people working at ENCE.

5.3 Commitment to external and internal clients:

We plan and execute with quality and efficiency the actions necessary to meet the demands of our internal and external clients. We fulfil our commitments to facilitate their work, build their trust and ensure their satisfaction.

We stand up for our clients, put ourselves in their shoes and understand their points of view. We react with speed and agility to resolve the problems and conflicts that arise for our internal and external clients, and propose ideas and solutions to prevent them.

We know our internal and/or external clients, whom we visit, listen to proactively and systematically and with whom we communicate and collaborate to identify and respond to or anticipate their needs. We propose initiatives that add value and build long-term relationships.

5.4 Commitment to allies and suppliers

ENCE rejects any kind of violation of human rights or illegal exploitation of natural resources. For this reason, we assess our suppliers and allies as a tool for continuous improvement, to ensure that ENCE's guiding principles are respected.

With our suppliers of goods and materials, as well as our collaborators and service companies, we maintain relationships based on mutual trust and transparency.

We establish strong ties with responsible suppliers and allies to improve our reputations and sustainability.

We contribute to the development and growth of suppliers, especially local suppliers close to our facilities.

We regularly assess our suppliers and allies as a tool for continuous improvement.

5.5 Commitment to forest owners

ENCE is the leading private forest owner and manager in Spain, as well as the main purchaser of wood. Its actions in the area of forest sustainability makes it the industry leader. Its actions are focused on three main areas:

- **Environmental responsibility:** ENCE implements management excellence criteria in its own forests and promotes management excellence criteria in those of third parties, choosing Sustainable Forest Management (both PEFC, with Licence code: PEFC/14-22-00010 and FSC®, with Licence code FSC-C099970)

as the regulatory reference framework. Its goal is to attain, both for its own forests and for those of third parties, dual forest certification in all its operations.

- **Management efficiency:** ENCE is committed to making efficient use of the natural resources used in its forestry management activities, minimising its impact on the environment. It also implements the best management techniques (silviculture and genetic) to achieve the highest possible yield from the area managed. It is our understanding that the responsible management of forests for pulp and renewable energy production covers the whole value chain and is a differentiating advantage. This presence in the whole value chain enables good forestry practices to be applied in the plantations and in their utilisation, leading to greater efficiency in energy and pulp production.
- **Social commitment:** ENCE carries out its forestry activity in rural areas, in which it is actively involved, seeking to transfer its knowledge in different fields in order to avoid depopulation and promote its development, technification and efficient management. Collaboration on planning matters, pest management, plant material or forest certification are some of the main lines of action.

5.6 Commitment to public administrations and regulatory bodies

At ENCE, we maintain a direct relationship with the administrations of the regions where we carry out our operations and with the various regulatory bodies in the identification and defence of sector and individual interests, in control tasks, in the promotion of new activities and the development of projects.

For ENCE, genuine relationships with the institutions in the places where we are located is a hallmark of our identity. We contribute to the common goal of improving the quality of life and the social, environmental and economic aspirations, as well as other aspirations, of the society that hosts us and of which we form part. Therefore, ENCE is constantly demonstrating its willingness to collaborate and its predisposition to reach an agreement, and is committed to the different institutional instruments that allow it to be channelled.

In tax matters, ENCE is committed to complying with current legislation in the countries and territories in which it operates. Furthermore, it is ENCE's intention, in accordance with its record, not to create, acquire or have any type of contractual relationship with companies residing in tax havens, as well as to renounce the incorporation or use of structures of an opaque or artificial nature unrelated to the company's own activities and with the sole purpose of evading or reducing its tax burden.

In the field of forestry, ENCE actively collaborates to contribute to the evolution of regulations related to sustainable forest management.

5.7 Commitment to the environment

At ENCE we take into account, comply with and/or enforce compliance with current regulations and procedures in all the activities we carry out and in our relations with other people who are part of or external to the company.

We carry out and/or ensure that our activities are carried out in a rigorous, environmentally and socially responsible manner, we are respectful of the environment, we minimise the consumption or misuse of resources of all kinds and we implement all the measures within our reach to reduce the environmental impact of our activities in terms of waste generation, emissions, effluents, noise, impact on biodiversity, etc.

We contribute with our ideas and promote, with our behaviour and example, behaviours that help create cooperative links and improve those internal operating practices and procedures related to the efficient consumption and use of resources and their environmental impact.

5.8 Commitment to other influence groups (analysts, media, NGOs)

ENCE is aware of the influence exerted by analysts, the media, NGOs and other influential groups as prescribers of the company. We are therefore committed to maintaining a proactive, open and transparent dialogue with all of them, in order to inform them of our activities, highlight the positive impact they have on the communities in which we operate and on society in general, and constructively address the concerns that these groups may express.

6.- Performance monitoring systems

The Board of Directors of ENCE is the highest administrative and representative body of the company and is therefore responsible for supervising and controlling compliance with this sustainability policy.

To that end, on a quarterly basis and through its Sustainability Committee, it will monitor the indicators and reports related to the commitments with stakeholders and that refer to:

- Indicators of human capital management and employee relations, such as health and safety, work-life balance, training, compensation, promotion and internal communication, among others..

- Environmental management indicators for each line of business, such as liquid and atmospheric effluents, odours, noise, resource consumption and waste and GHG generation, among others.
- Indicators of sustainable forest management and forest owner relations, such as proportion of certified wood, area by use and type of ownership, and environmental indicators of nurseries, inter alia.
- Indicators relating to the community and the environment, such as social investment, volume of purchases from local suppliers, indicators of how the company is perceived in its environment, etc.
- Economic and financial indicators.

These indicators will be accompanied by a qualitative summary of the most relevant developments and milestones in each of the areas, as well as the relationship with the main stakeholders.

The Sustainability Committee, a permanent internal body, with executive functions and with the power to provide information, advice and proposals within its area of activity, will be responsible for reporting to ENCE's Board of Directors through its Sustainability Committee on the degree of progress in terms of compliance with the Sustainability Policy and the Strategy.

7.- Communication channels with stakeholders

ENCE's goal is to develop an efficient and satisfactory relationship with its stakeholders, and to that end it establishes different channels of communication, participation and dialogue that encourage the exchange of information and serve as a basis for a mutually beneficial relationship.

Each of these channels has its own characteristics in terms of format, frequency and intensity of the relationship, from permanent and continuous channels such as e-mail or the corporate website, to periodic channels such as surveys, meetings or presentations and those of a one-off nature.

The following are the most relevant channels for ENCE in its communication with stakeholders:

Stakeholders	Communications channels
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- **Shareholders and investors**

 - General Shareholders Meeting
 - Quarterly communication of results
 - Quarterly presentation of results by the CEO
 - Regular meetings
 - Monthly information for the Board of Directors
 - Roadshows
 - Attendance at seminars and conferences
 - Periodic sending of updated information
 - Information available from the Spanish National Securities Market Commission (CNMV)
 - Annual Report
 - Annual Corporate Governance Report
 - Sustainability Report
 - Specific section on the corporate website
 - Press kits and press releases
 - Email: ir@ence.es
 - Social networks

- **People**

 - Annual Report
 - Sustainability Report
 - Intranet
 - Management policy
 - Biannual working environment survey
 - Performance assessment
 - Cascading communication
 - Screens at facilities
 - Notice boards
 - Email communications
 - Monthly digital newsletter
 - Health & Safety Committees
 - Annual training plan
 - Monthly area meetings
 - Internal information channel

- **Clients**

 - Annual Report
 - Sustainability Report
 - Publication of significant events
 - Regular visits
 - Participation in industry meetings
 - Satisfaction surveys
 - Environmental product profile
 - Press kits and press releases
 - Email:
 - Social networks
 - Internal information channel

- **Allies and Suppliers**

 - Annual Report
 - Sustainability Report
 - Participation in debating forums at the heart of associations
 - Monitoring of compliance with current regulations
 - Regular visits and meetings
 - Proposed framework and other agreements
 - Internal information channel

- **Forest owners**

 - Annual Report
 - Sustainability Report
 - Participation in debating forums at the heart of associations
 - Participation in conferences.
 - Visits to plants
 - Press kits and press releases
 - Website
 - Receipt and handling of complaints, suggestions and information requests
 - CSR Actions
 - Internal information channel

- **Public Administrations**

 - Annual Report
 - Sustainability Report
 - Environmental statements
 - Tax returns
 - Round tables, working groups
 - Regular communications and meetings
 - Specific reports on each environmental authorisation
 - Partnership agreements
 - Regular reports and documentation
 - Ad hoc reports and documentation

- **Community and surroundings**

 - Annual Report
 - Sustainability Report
 - Environmental statements
 - Talks, symposiums and conferences
 - Guided tours
 - Receipt and handling of complaints, suggestions and information requests
 - CSR Actions
 - Website
 - Internal information channel

- **Influence groups** Annual Report
Sustainability Report
Environmental statements
Close attention, sending of dossiers, press releases, op-eds
Talks, symposiums and conferences
Visits to plants
Website
Collaboration and activities