



# Leaders in the sustainable use of natural resources

## Sustainability Master Plan



# Disclaimer

The information contained in this presentation has been prepared by Ence Energía y Celulosa, S.A. (hereinafter, "Ence").

This presentation includes data relating to future forecasts. Any data included in this presentation which differ from other data based on historical information, including, in a merely expository manner, those which refer to the financial situation of Ence, its business strategy, estimated investments, management plans, and objectives related to future operations, as well as those which include the words "anticipate", "believe", "estimate", "consider", "expect" and other similar expressions, are data related to future situations and therefore have various inherent risks, both known and unknown, and possess an element of uncertainty, which can lead to the situation and results both of Ence and its sector differing significantly from those expressly or implicitly noted in said data relating to future forecasts.

The aforementioned data relating to future forecasts are based on numerous assumptions regarding the current and future business strategy of Ence and the environment in which it expects to be situated in the future. There is a series of important factors which could cause the situation and results of Ence to differ significantly from what is expounded in the data relating to future forecasts, including fluctuation in the price of wood pulp or wood, seasonal variations in business, regulatory changes to the electricity sector, fluctuation in exchange rates, financial risks, strikes or other kinds of action carried out by the employees of Ence, competition and environmental risks, as well as any other factors described in the document. The data relating to future forecasts solely refer to the date of this presentation without Ence being under any obligation to update or revise any of said data, any of the expectations of Ence, any modification to the conditions or circumstances on which the related data are based, or any other information or data included in this presentation.

The information contained in this document has not been verified by independent experts and, therefore, Ence neither implicitly nor explicitly gives any guarantee on the impartiality, precision, completeness or accuracy of the information, opinions and statements expressed herein.

This document does not constitute an offer or invitation to acquire or subscribe to shares, in accordance with the provisions of Royal Legislative Decree 4/2015, of 23 October, approving the consolidated text of the Securities Market Act. Furthermore, this document does not constitute a purchase, sale or swap offer, nor a request for a purchase, sale or swap offer for securities, or a request for any vote or approval in any other jurisdiction.

The use by ENCE ENERGIA Y CELULOSA, S.A. of any MSCI ESG RESEARCH LLC or its affiliates ("MSCI") data, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement, recommendation, or promotion of ENCE ENERGIA Y CELULOSA, S.A. by MSCI. MSCI Services and data are the property of MSCI or its information providers, and are provided "as-is" and without warranty. MSCI names and logos are trademarks or service marks of MSCI.

# Leaders in the sustainable use of natural resources

## For the eco-efficient production of special pulp and renewable energy



### Sustainable forestry and biomass

- Ence is a **reference regarding the responsible and sustainable management of the agricultural and forestry sector** in Spain
- **3.1 Mn tons of wood** acquired in the surroundings of our biomills from certified responsible sources: over 78% are FSC® (Licence code: FSC-C081854) and/ or PEFC certified
- **1.7 Mn tons of biomass** acquired in the surroundings of our power plants, while applying our **voluntary decalogue that guarantees its sustainable use in energy generation**
- Ence manages ca.66,000 hectares of forest land in the Iberian Peninsula: Almost 86% of them are FSC® (Licence code: FSC-C099970) and/or PEFC certified and **22.5% are dedicated to ecosystem protection**



### Eco-efficient production of special pulp

- Ence is the **leading European eucalyptus pulp producer**, with 1.2 Mn tons of installed capacity
- Wood used for pulp production is **100% locally sourced**
- Its production process is environmentally friendly and constitutes a great example of **energy efficiency** (100% self-generated renewable energy) and **circular economy** (less than 2% of total waste generated is sent to landfill)
- The **environmental parameters** of our biomills are well below those of European regulations (BREF)
- We produce natural, renewable and biodegradable materials, **substitutes for plastic**



### Renewable energy generation

- Ence is the **largest renewable energy producer with forestry and agricultural biomass in Spain**, with an installed capacity of 266 MW and a 505 MW pipeline
- Our biomass plants are **fully manageable** and contribute to the EU decarbonisation goals
- **We draw upon local agricultural and forest by-products**, mitigating their environmental impact and reducing fire risk
- The new plants are an **example of fair energy transition**, since they have been located in sites previously occupied by other industrial activities (such as coal-based power generation) and contribute to maintain local jobs

# Our activity contributes to tackle upcoming global challenges

It is an important driver for employment and wealth in rural areas



## Global challenges

Climate change

Plastic pollution

Increased social awareness on sustainability

Waste management

Biodiversity loss and deforestation

Rural exodus

Deindustrialisation



## Ence's solution

Renewable energy

Special pulp products

Lower environmental footprint products

Circular economy

Sustainable forest management

Opportunities for rural areas

Fair transition



## Contribution to the UN's SDGs (2030 Agenda)



# Sustainability as a competitive advantage

## Sustainability Plan



### Safe and eco-efficient operations

- ✓ Zero accidents
- ✓ Circular economy
- ✓ Water footprint
- ✓ Energy efficiency
- ✓ Odour
- ✓ Air quality

Reduced production costs



### Climate action

- ✓ Carbon footprint
- ✓ Climate change adaptation



### Sustainable products

- ✓ Special pulp with higher added value
- ✓ Renewable energy

Leadership and differentiation



### Community engagement

- ✓ Social plans
- ✓ Job creation in rural areas



### People & values

- ✓ Talent promotion
- ✓ Equality & diversity

Social license to operate



### Sustainable agroforestry

- ✓ Sustainable sourcing
- ✓ Certified supply chain



### Corporate Governance

- ✓ Transparency
- ✓ Best practices

Risk minimization

# 1) Our operations are safe and eco-efficient

We are a reference in safety and a benchmark in circular economy



Priorities



Health and safety



Industrial environmental performance

Goals

Zero accidents

Continue to improve the material environmental parameters of our plants

How

- ✓ Establishing **health and safety** as one of **Ence's priorities**
- ✓ Keeping the **frequency and severity rates** well below the industry average
- ✓ Focusing on reducing not only the frequency and severity rates of **Ence's staff** but also our **subcontractors**
- ✓ Implementing an **early prevention protocol** against **COVID-19**
- ✓ Thanks to our prompt response, Ence was able to keep the industrial activity going and the jobs throughout 2020

- ✓ Boosting **circular economy**: 2021 Goal: obtain the **Zero Waste** Certification in all plants
- ✓ Reducing **water consumption** in our biomills (-20% in the last four years in Pontevedra).
- ✓ Reducing **odour impact**.
- ✓ Reducing **particle emissions** in all our biomass plants. All our plants meet the 2020 target <10 mg/Nm3

2020 Highlights



**98,2%** Waste valorised  
AENOR "0 Waste" Certification



Lower water consumption vs. 2019  
Pontevedra: -6%  
Navia: -11%



Industry reference  
**Covid-19 Prevention Protocols**



**-46%** in Navia  
**-45%** in Pontevedra  
**Minutes of odor** in biomills



**Emissions**  
< 10 mg /Nm3 in all our biomass plants



## 2) We contribute to mitigate the effects of climate change

Reducing emissions and managing climate risk



Priorities



Goals



How



2020 Highlights



Climate change mitigation

Contribute decarbonizing the economy

- ✓ Generating renewable energy in our biofactories and independent plants to help **decarbonize the national electricity mix**
- ✓ Designing special cellulose products that **substitute fossil-based materials**
- ✓ Contributing to **absorb CO2** in our forest land
- ✓ Analyzing and reporting our **organization and product carbon footprint**
- ✓ **Establishing GHG emission reduction targets** in our biomills



**- 25%** Scope 1 & 2 Emissions  
In 2025 vs. 2018 base year



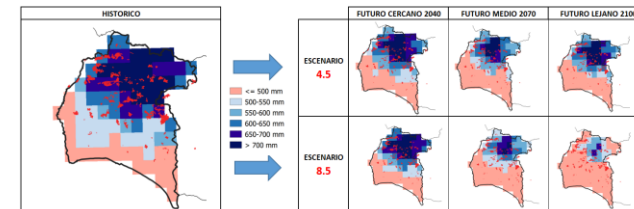
**EU taxonomy** criteria alignment analysis - Mitigation and adaptation to CC power plants



Adaptation to climate change

Mitigate risks and benefit from opportunities derived from climate change

- ✓ Implementing the recommendations from the **Task Force on Climate-Related Financial Disclosure (TCFD)**
- ✓ Creating specific working groups by area to **identify and assess climate risks and opportunities**
- ✓ Designing our own models to analyze the effects of climate change in the future (**2100 horizon**) for **RCP 4.5 and 8.5 scenarios** on our facilities and wood and biomass supply areas
- ✓ Adapting our forest genetic improvement programs in order to produce **resistant and adapted material**



**Ad hoc climate models** in Ence's wood and biomass supply regions

# 3) We produce renewable energy and special pulp

With a lower environmental footprint and alternatives to plastic



Priorities



Goals



How



2020 Highlights



## Sustainable products development

Assess the environmental footprint and develop more sustainable products

- ✓ **Leading best R&D practices** and consequently being a reference within the industry
- ✓ Developing and manufacturing **environmentally-friendly differentiated products** which substitute plastics:
  - **Naturcell:** unbleached pulp product
  - **Powercell:** high-strength pulp product that can replace softwood-based products
- ✓ Setting **sales targets** for differentiated products in the management **variable remuneration schemes**
- ✓ Increasing transparency towards our clients through the development of **Environmental Product Declarations (EPD)** for the company's main products

**powercell 9%**  
**naturcell** Vs. 6% in 2019

Development of sustainable products with reduced environmental footprint and potential for plastic substitution



European Ecolabel as raw material for the pulp at Navia and Pontevedra



## Renewable energy generation

Grow in renewable energy generation and technology diversification

- ✓ Including **growth in renewable generation** among the company's **strategic goals**
- ✓ Contributing to **Spain's** renewable energy **generation targets**
- ✓ Increasing **our renewable energy installed capacity**
- ✓ Diversifying **biomass sources** (agricultural and forest by-products)
- ✓ Diversifying **power generation technologies** (focusing on PV)

**+36%**  
**Installed generation capacity with biomass**

With the set-up of the new plants in Puertollano and Huelva



# 4) We get involved in the communities where we operate

## Contributing to local development and holding back rural depopulation



Priorities



Goals



How



2020  
Highlights



Proactive relationship

*Establish relationships with our communities to contribute to their development*

- ✓ Defining **Annual Engagement Plans** with the communities of Navia, Huelva and Pontevedra, including stakeholder visits to the facilities (ca. 600 visits in 2020)
- ✓ Maintaining **Ence's Pontevedra Social Plan** endowed with 3 million euros per year for the development of social and environmental projects in the community
- ✓ Establishing **Collaboration Agreements** with the City Councils of Navia and San Juan del Puerto (Huelva) and other agreements with municipalities close to ours plants
- ✓ **Investing in the community: +3.2M€ (2019)**



**+3,2M€**

The Pontevedra Social Plan and other investments in the community



Structuring effect

*Enhance Ence's contribution to the communities where it operates*

- ✓ Stimulating rural areas and **fighting population loss**, by generating job opportunities in these areas (in the industrial, forestry, agricultural and transport industries), in order to counteract **rural exodus**
- ✓ Creating **+11,500 jobs in Asturias and Galicia** around our Navia and Pontevedra biomills
- ✓ Creating **8,000 jobs in Andalucía, Extremadura and Castilla-La Mancha** around our independent power plants



Involvement with the local communities: the plants received almost **600** visits, adapted according to Covid-19 prevention protocols



# 5) Ence's people and values at the centre of the organization

Committed to talent development and equal opportunities



Priorities

Goals

How

2020 Highlights



Equality and diversity

*Ensure equal opportunities and respect for diversity*

- ✓ Setting **annual equality goals**
- ✓ Increasing the **presence of women** in the workforce (+9% vs 2019)
- ✓ Promoting the hiring of women in **management roles and individual contracts** (64% of new hires)
- ✓ Encouraging the recruitment of **women under 30 with a university degree** – they represent 71% of new hires



**3,8%** Gender Pay Gap



**+9%** women employed  
**71%** of hires < 30y with university degree are women  
**64%** of management hires are women



Talent development

*Promote talent development in Ence and in the communities where we are present*

- ✓ Increasing **training / employee hours** (+22% in 2019 vs. 2018)
- ✓ Promoting specific training programs on **equality and sustainability**
- ✓ Establishing **career plans and individual development plans** for individual contract staff
- ✓ Endorsing in the incorporation of recent graduates through internships "**Programa Talento**" in all centres
- ✓ Creating job opportunities and fighting population loss in **rural areas**



**Great Place to Work certified**

# 6) We promote sustainable rural and agroforestry development

Drawing upon local resources from responsible sources



Priorities



Goals



How



2020 Highlights



## Sustainable forestry management

Wood supply from responsible and traceable sources

- ✓ Acquiring 100% of the wood from **local sources** (Iberian Peninsula) and making almost 80% of standing wood purchases from **small forestry owners**
- ✓ **Promoting internationally recognized sustainable forestry schemes such as FSC® and PEFC: 86% of own forest land** is FSC® (Licence code: FSC-C099970) and/or PEFC certified and almost **80% of wood inputs** are FSC® (Licence code: FSC-C081854) and/or PEFC certified
- ✓ Dedicating 22.5% of Ence's own forest land to **biodiversity protection and preservation**
- ✓ Establishing strict **supplier homologation** and **supply chain traceability** systems



85.6%  
78.3%

Managed area FSC®- Licence code FSC-C099970 and/or PEFC certified  
Wood inputs FSC®- Licence code FSC-C081854 and/or PEFC certified



## Sustainable management of biomass

Biomass supply from sustainable sources and solution of environmental problems in rural areas

- ✓ Developing a voluntary **Decalogue of Biomass Sustainability**, that sets sustainability criteria for the use of biomass in power generation going beyond the new requirements established in RED II Directive
- ✓ Prioritising the consumption of **surplus agricultural biomass** (57% 2020 vs. 21% 2016)
- ✓ **Using biomass for energy generation** as a solution to uncontrolled on-site burning, which generates emissions, increases wildfire risks and wastes the biomass potential for energy production

100%

Certified wood and biomass suppliers

78%



Standing wood purchased from small producers.  
Implementation of the **Decalogue of biomass sustainability**

# 7) We have a strong corporate governance

With best practices in sustainability



Priorities



## Sustainability governance



## Corporate Governance System



Goals

*Ensure the integration of sustainability in Ence's culture*

*Progress in the incorporation and consolidation of best governance practices*



How

- ✓ Creating a **specific Sustainability Committee** within the Board of Directors which meets on a quarterly basis
- ✓ Setting **annual sustainability goals reporting monthly to the Board of Directors**
- ✓ Approving a **Sustainability Plan 2019 - 2023**
- ✓ Establishing a **Sustainability Committee** chaired by the **President**
- ✓ Appointing a **General Manager of Sustainability** with direct report to the **President**
- ✓ Linking **25% of management's long-term variable retribution to ESG targets**
- ✓ Developing an assessment framework for ESG risks, with special focus on **climate risks**, following **TCFD recommendations**

- ✓ Completing and updating the **internal regulatory framework** (i.e. Anti-Corruption Policy, Responsible Procurement Policy)
- ✓ Enhancing **Board diversity**
- ✓ Creating the **Board competence matrix**
- ✓ Defining and implementing an **Updated Training Program** for the Board members
- ✓ Strengthening **transparency**, increasing public reporting regarding the corporate governance bodies
- ✓ Consolidating the relationship with **proxy advisors** and analysing their recommendations in order to address their progressive incorporation



1H20  
Highlights

**25%** Long-term incentive plan linked to **ESG targets**

**↑ 22%** Women present in the Board of Directors vs. 2017



Increased functions of the **Lead Independent Director**



**97%** Votes in favor at the AGM for approving the **new Directors Remuneration Policy 2020-2022**





**MSCI**  
ESG RATINGS



CCC B BB BBB A AA AAA



Global ESG score:  
82/100



FTSE4Good

# Delivering value Delivering commitments

Investor Relations contact details:

Email: [ir@ence.es](mailto:ir@ence.es)

Phone: (+34) 91 337 85 53