

REPORT SUBMITTED BY THE APPOINTMENTS AND REMUNERATION COMMITTEE TO THE BOARD OF DIRECTORS OF ENCE ENERGÍA Y CELULOSA, S.A. CONCERNING THE PROPOSED RE-ELECTION OF BOARD MEMBERS

1. PURPOSE

The appointments and remuneration committee of ENCE ENERGÍA Y CELULOSA, S.A. issues the present report in compliance with the provisions of articles 529 *decies* (section 6) and 529 *quindicies* (section 3.d) of the Spanish Corporate Enterprises Act (Ley de Sociedades de Capital), which states that proposed appointments or re-elections of non-independent directors require a prior report by the appointments and remuneration Committee.

This report also complies with article 529.4 *decies* of the Corporate Enterprises Act, which states that the appointments and remuneration committee has the powers to propose the appointment or re-election of independent directors.

The motion to re-elect members of the board of directors is expected to be submitted for approval at the Company's General Shareholders' Meeting scheduled for 29 and 30 March 2017 at 12:30 h, on first and second call respectively, as item four on the agenda.

In issuing this report regarding the proposed re-elections of directors, the committee has paid due regard to the Company's board member selection policy and the specific and current needs of the board of directors.

2. REPORT ON THE RE-ELECTION OF NON-INDEPENDENT DIRECTORS

The chairman of the board of directors has asked the appointments and remuneration committee to inform on the re-election of various directors that the Board intends to propose to the General Meeting.

To this end the Committee has analysed the current composition of the board of directors, and considers that its members have the overall knowledge, competence and experience to enable it to carry out its functions after the proper fashion.

The committee has also assessed the aptitudes required to carry out the functions of a Company director, including the qualifications, professional experience and suitability of directors, in addition to allocation of their time as necessary. Pursuant to Board regulations, the proposed re-elections of directors the board intends to present for approval by the general meeting must be submitted to an official process, which shall necessarily include a report by the appointments and remuneration committee to assess the quality of work and dedication to the post by the directors proposed, during their preceding terms.

In what concerns the re-election of the proprietary directors, it is hereby stated that they have been proposed by the following shareholders: Alcor Holding, SA, in the case of D. Pascual Fernández Martínez, Asúa Inversiones, SL, in the case of D. Víctor Urrutia Vallejo, and La Fuente Salada, SL In the case of Mendibea 2002, S.L. and of his personal representative Mr. Ignacio Comenge Sánchez-Real.

On this basis, in accordance with the current needs of corporate bodies, the appointments and remuneration committee has resolved to issue a favourable report on the proposed re-election of non-independent directors, as explained below.

2.1 Re-election of Ignacio de Colmenares Brunet as executive director

The committee has pronounced itself in favour of the re-election of Ignacio de Colmenares Brunet, since it had a highly positive assessment of the quality of work and dedication to the post by Mr. Colmenares Brunet as CEO and vice president of the Company, and considers he may continue contributing his experience and knowledge acquired since his appointment to the Company. It has therefore resolved to issue a favourable report to the board so that it can in turn submit a motion that the General Meeting re-elect him as executive director for the statutory term of three years.

2.2 Re-election of Pascual Fernández Martínez as proprietary director

The committee has a highly positive assessment of the quality of work and dedication to the post of Fernández Martínez, and deems that due to his extensive experience, which has brought an invaluable and still necessary contribution to the board, he should remain.

It has therefore resolved to issue a favourable report to the board so that it can in turn submit a motion that the General Meeting re-elect him as proprietary director for the statutory term of three years.

2.3 Re-election of Victor Urrutia Vallejo as proprietary director

The committee has pronounced itself in favour of the reappointment of Victor Urrutia Vallejo, as it has produced an extremely positive assessment of the quality of work and dedication to the post by Mr. Urrutia as a member of the board, and considers he should continue to contribute his wide experience and knowledge of the business sector to the Company. It has therefore resolved to issue a favourable report to the board so that it can in turn submit a motion that the General Meeting re-elect him as proprietary director for the statutory term of three years.

2.4 Re-election of Mendibea 2002, S.L., as proprietary director, and designation of Mr Ignacio Comenge Sánchez-Real as the natural person representing Mendibea 2002, S.L. in its capacity as proprietary director.

The committee has pronounced itself in favour of the reappointment of Mendibea 2002, S.L., and designation of Mr Ignacio Comenge Sánchez-Real as the natural person representing Mendibea 2002, S.L. as it has produced an extremely positive assessment of the quality of work and dedication to the post by Mendibea 2002, S.L., through the natural person that represents it. Additionally, the committee has produced an extremely positive assessment of the quality of work and dedication to the post by Mr Ignacio Comenge Sánchez-Real as the natural person representing Mendibea 2002, S.L. It has therefore resolved to issue a favourable report to the board so that it can in turn submit a motion that the General Meeting re-elect Mendibea 2002, S.L., as proprietary director for the statutory term of three years, and to designate Mr Ignacio Comenge Sánchez-Real as the natural person representing Mendibea 2002, S.L. in case Mendibea 2002, S.L. is reelected as a board member.

3. PROPOSED RE-ELECTION OF INDEPENDENT DIRECTORS

The appointments and remuneration committee has resolved to issue a motion to the Board for submission to the Company's General Meeting to re-elect Pedro Barato Triguero as independent director of the Company.

3.1 Re-election of Pedro Barato Triguero as independent director

The appointments and remuneration committee has produced an extremely positive assessment of the quality of work and dedication to the post by Pedro Barato Triguero as independent director.

In view of his personal and professional merits, the committee believes that Pedro Barato Triguero possesses the necessary competencies, experience and merit warranting its decision to propose to the board of directors his reappointment as independent director for the three-year term of office stipulated in the bylaws, so that the board may then lay the relevant motion before the general meeting.