

REPORT BY THE BOARD OF DIRECTORS OF ENCE ENERGÍA Y CELULOSA, S.A. CONCERNING THE PROPOSED RE-ELECTION OF MEMBERS OF THE BOARD OF DIRECTORS (INCLUDING THE IDENTITY, CVS AND CATEGORIES OF THE MEMBERS PROPOSED)

1. PURPOSE

The board of directors of ENCE ENERGÍA Y CELULOSA, S.A. (hereinafter also referred to as the “**Company**”) hereby issues this report in compliance with article 529 *decies* (section 5) of the Spanish Corporate Enterprises Act (Ley de Sociedades de Capital), by virtue of which motions to re-elect Board members must be accompanied by a supporting report issued by the board appraising the competence, experience and merits of the candidate nominated. This re-election motion is expected to be submitted for approval at the Company's General Shareholders' Meeting on 29 and 30 March 2017, on first and second call respectively, as item four on the agenda.

This report also complies with Article 518.e) of the Corporate Enterprises Act, which stipulates that the mandatory general information to be published by the Company when a General Meeting is called for the purposes of appointment, ratification or re-election of Board members includes the identity, CV and category of each, as well as the proposal and reports referred to in Article 529 *decies* (section 6). Moreover, if the Board member is a legal entity, information must be included concerning the individual who represents the Board member to be appointed.

2. JUSTIFICATION OF THE MOTION

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

Further to a favourable report by the Appointments and Remuneration Committee, the board of directors proposes the re-election of Ignacio de Colmenares Brunet as executive director.

Ignacio de Colmenares Brunet holds a law degree from the Universidad Central in Barcelona and a Master's degree in Economics and Business Management from the Instituto de Estudios Superiores de la Empresa (IESE) in Barcelona. He has extensive professional experience in the steel and energy sectors. For the purposes of supplementing this information, the *curriculum vitae* of Mr. Colmenares Brunet is attached hereto as Annexe I.

In view of the above and of the experience acquired by Mr. Colmenares Brunet as CEO and vice chairman of the Company (first appointed in 2010), the board of directors considers that Mr. Colmenares Brunet has the necessary competence, experience and merits for a proposal to be issued to the Company's General Meeting to re-elect him as CEO for the statutory period of three years as of the approval of this resolution.

2.2 Re-election of Pedro Barato Triguero as independent director as proposed by the Appointments and Remuneration Committee.

The appointments and remuneration committee has laid before the board for submission to the General Shareholders Meeting a proposal for the re-election of Pedro Barato Triguero as independent director of the Company.

Pedro Barato Triguero holds a degree in law and has been a member of the Spanish agricultural and livestock federation (Confederación Nacional de Agricultores y Ganaderos) since 1978, national chairman of the Spanish young farmers' agricultural association (ASAJA) since 1990. He is also member of the Spanish confederation of business organisations (CEOE), member of the chairman's

office on the EU's Committee of Professional Agricultural Organisations (COPA), committee member in the European Commission's CAP board, chairman of the cross-industry trade union organisation for Spanish olive oil (Organización Intersindical del Aceite de Oliva Español), chairman of the Spanish confederation of beet and cane sugar cultivators (Confederación Nacional de Remolacha y Cultivadores de Caña de Azúcar) and chairman of the Spanish federation of self-employed workers (CEAT). For further information, Mr. Barato Triguero's *curriculum vitae* is attached hereto as Annexe II.

In view of his personal and professional merits, the appointments and remuneration committee has informed the board of directors that it considers that Mr. Barato Triguero has the necessary competence, experience and merits for a proposal to be issued to the Company's General Meeting to reappoint him as independent director for the statutory period of three years.

2.3 Re-election of Pascual Fernández Martínez as proprietary director

Further to a favourable report by the Appointments and Remuneration Committee, the board of directors proposes the re-election of Pascual Fernández Martínez as proprietary director of the Company as proposed to the board by Alcor Holding, S.A.

Mr. Fernández Martínez has a Ph.D in Economic and Business Sciences, and has carried out his professional career primarily in the public sector as professor and researcher at universities such as Universidad Autónoma de Madrid, Universidad Rey Juan Carlos de Madrid and Universidad de Valladolid; in the administration of the regions of Castilla y León and Madrid, and at the Ministries of the Economy, Inland Revenue and the Environment. For further information, Mr. Fernández Martínez's *curriculum vitae* is attached hereto as Annexe III.

In view of his personal and professional merits, the board considers that Pascual Fernández Martínez has the necessary competence, experience and merits for a motion to be issued to the Company's general meeting to re-elect him as proprietary director for the statutory period of three years as of the approval of this resolution.

2.4 Re-election of Víctor Urrutia Vallejo as proprietary director

Further to a favourable report by the Appointments and Remuneration Committee, the board of directors proposes the re-election of Víctor Urrutia Vallejo as proprietary director of the Company as proposed to the board by Asúa Inversiones, S.L.

Mr. Urrutia holds a Ph.D in Economics Sciences (Universidad Complutense de Madrid) and degree in Law (Universidad de Oviedo). For further information, Mr. Urrutia Vallejo's *curriculum vitae* is attached hereto as Annexe IV.

In view of his personal and professional merits, the board considers that Víctor Urrutia Vallejo has the necessary competence, experience and merits for a motion to be issued to the Company's general meeting to re-elect him as proprietary director for the statutory period of three years as of the approval of this resolution.

2.5 Re-election of Mendibea 2002, S.L. as proprietary director

The appointments and remuneration committee has laid a proposal before the board for the re-election of Mendibea 2002, S.L. as proprietary director of the Company as proposed to the board by La Fuente Salada, S.L.

The board deems that the performance of Mendibea 2002, S.L. as director through its representative, Ignacio Comenge, since it joined the board in 2014, has been extremely satisfactory

in terms of the Company's good governance, and considers that its trajectory and capacity can make a sound contribution to the board's performance.

In light of the foregoing, the appointments and remuneration committee has informed the board of directors that it considers that Mendibea 2002, S.L has the necessary competence, experience and merits for a proposal to be issued to the Company's general meeting to re-elect it as proprietary director for the statutory period of three years as of the approval of this resolution.

2.6 Maintenance of Ignacio Comenge Sánchez-Real as the natural person representing Mendibea 2002, S.L. in its capacity as director

Ignacio Comenge Sánchez-Real is currently the natural person representing Mendibea 2002, S.L. in its capacity as proprietary director. Comenge Sánchez-Real is an economist who held various positions at Banco Hispano Americano from 1973 to 1983 as sub-director of the Foreign Trade Department and director of Large Business Accounts. To complete the information, his *curriculum vitae* is attached to this report as Annexe V.

The board considers that Mr. Comenge Sánchez-Real has the necessary competence, experience and merits for him to be maintained in his post as the natural person representing Mendibea 2002, S.L. in its capacity as director.

3. MOTIONS

There follows the full text of proposed resolutions for the reappointment of directors, which shall be submitted to separate votes at the General Meeting:

“FOUR A.- RE-ELECTION OF IGNACIO DE COLMENARES BRUNET AS EXECUTIVE DIRECTOR AS PROPOSED BY THE BOARD OF DIRECTORS.

To re-elect Ignacio de Colmenares Brunet to the Board of Directors of the Company, as an executive director for the statutory period of three years as of the approval of this resolution.

FOUR B.- RE-ELECTION OF PEDRO BARATO TRIGUERO AS INDEPENDENT DIRECTOR AS PROPOSED BY THE APPOINTMENTS AND REMUNERATION COMMITTEE.

To re-elect Pedro Barato Triguero to the Company's board of directors as an independent director for the statutory period of three years as of the approval of this resolution.

FOUR C.- RE-ELECTION OF PASCUAL FERNÁNDEZ MARTÍNEZ AS PROPRIETARY DIRECTOR AS PROPOSED BY THE BOARD OF DIRECTORS.

To re-elect Pascual Fernández Martínez to the Company's board of directors as proprietary director for the statutory period of three years as of the approval of this resolution.

FOUR D.- RE-ELECTION OF VÍCTOR URRUTIA VALLEJO AS PROPRIETARY DIRECTOR AS PROPOSED BY THE BOARD OF DIRECTORS.

To re-elect Víctor Urrutia Vallejo to the Company's board of directors as proprietary director for the statutory period of three years as of the approval of this resolution.

FOUR E.- RE-ELECTION OF MENDIBEA 2002, S.L., AS PROPRIETARY DIRECTOR AS PROPOSED BY THE BOARD OF DIRECTORS, AND ACKNOWLEDGEMENT OF THE PERMANENCE OF IGNACIO COMENGE SÁNCHEZ-REAL AS THE NATURAL PERSON REPRESENTING MENDIBEA 2002, S.L. IN ITS CAPACITY AS DIRECTOR.

To re-elect Mendibea 2002, S.L. as a member of the Board of Directors of the Company in the capacity of proprietary director for the statutory period of three years as of the approval of this resolution, and acknowledgement of the permanence of Ignacio Comenge Sánchez-Real as the natural person representing said director.”

Annexe I

Curriculum vitae of Ignacio de Colmenares Brunet

Ignacio de Colmenares Brunet was born in Madrid. He is CEO and Vice Chairman of ENCE, member of the Executive Committee at Ence, Voting member of the Advisory Committee on Forestry and Regulatory Policy, and member of the governing board of the Spanish pulp, paper and cardboard manufacturers association (ASPAPPEL).

He holds a law degree from the Universidad Central in Barcelona and a Master's degree in Economics and Business Management from the Instituto de Estudios Superiores de la Empresa (IESE) in Barcelona.

He has extensive professional experience in the steel and energy sectors. He was Export and Trading Manager at Compañía Española de Laminación, spin-off of steel group CELSA. He later was the Commercial Director of Nueva Montaña Quijano, a common steelworks company, and General Manager of the CELSA Trefilerías Group.

In 1996, he assumed General Management of Trenzas y Cable de Acero-TYCSA, company specialising in the manufacturing of steel, aluminium and fibre optic cables. He then became General Manager of the steel group Global Steel Wire in 2001, a responsibility that he made compatible with the Corporate Development Director of the CELSA Group.

Before joining Ence, in 2008 he was CEO of Isofotón, photovoltaic panel manufacturer and solar power facility promoter, which he restructured company technologically, industrially and commercially. He was also Chairman and CEO of Bergé Lift, a group of companies that import, distribute, rent and maintain service equipment.

Annexe II

Curriculum vitae of Pedro Barato Triguero

Pedro Barato Triguero is an Independent Director at Ence, Chairman of its appointments and remuneration committee, and member of the Executive Committee and Advisory Committee on Forestry and Regulatory Policy.

He holds a degree in law and has been a member of the Spanish agricultural and livestock federation (Confederación Nacional de Agricultores y Ganaderos) since 1978, national chairman of the Asociación Agraria-Jóvenes Agricultores (ASAJA) since 1990. He is also member of the Spanish confederation of business organisations (CEOE), member of the chairman's office on the EU's Committee of Professional Agricultural Organisations (COPA), committee member in the European Commission's CAP board, chairman of the cross-industry trade union organisation for Spanish olive oil (Organización Interprofesional del Aceite de Oliva Español), chairman of the Spanish confederation of beet and cane sugar cultivators (Confederación Nacional de Remolacha y Cultivadores de Caña de Azúcar) and chairman of the Spanish federation of self-employed workers (CEAT).

He is currently a proprietary director of DEOLEO, S.A., member of the Advisory Board of MAPFRE AGROPECUARIA, Compañía Internacional de Seguros y Reaseguros, S.A. and voting member of the governing board of FREMAP, S.A.

He was member of the European Social and Economic Commission from 1997 to 2007, and member of the Social and Economic Board from 1991 to 2007.

Annexe III

Curriculum vitae of Pascual Fernández Martínez

Pascual Fernández Martínez was born in Albacete. He is member of the board of directors of Ence as external proprietary director, member and secretary of the appointments and remuneration committee, and member of the company's Advisory Committee on Forestry and Regulatory Policy.

With a Ph.D in Economic and Business Sciences, and has carried out his professional career primarily in the public sector as professor and researcher at universities such as Universidad Autónoma de Madrid, Universidad Rey Juan Carlos de Madrid and Universidad de Valladolid; in the administration of the regions of Castilla y León and Madrid, and at the Ministries of the Economy, Inland Revenue and the Environment.

He is currently the Deacon-Chairman of the Madrid School of Economics, professor of applied economics at Universidad Rey Juan Carlos in Madrid, professor in the Master's programme on Public Service Infrastructure and Management for the School of Civil Engineering at Universidad Politécnica in Madrid, and member of the Association of European Conjunction Institutes (l'Association D'Instituts Européens de Conjoncture Economique AIECE) and of the Global High Level Panel on Water and Peace (UN).

He was also member of the boards of directors of various companies, including Sodical, Renfe, Instituto de Crédito Oficial (ICO), Gran Telescopio de Canarias (where he was chairman from 1997 and 2001), Sociedad Gestora de Planes de Pensiones de Caja Madrid and Gamesa, where he was chairman of the appointments and remuneration committee from 2006 to 2010.

Annexe IV

Curriculum vitae of Víctor Urrutia Vallejo

Proprietary director and member of the executive committee of Ence.

Ph.D in Economics Sciences (Universidad Complutense de Madrid) and degree in Law (Universidad de Oviedo). He speaks English, French and German.

He is currently the Chairman of the Compañía Vinícola del Norte de España, S.A. (CVNE), member of the executive committee and member of the Instituto de Empresa Familiar, Sole Director of Asúa Inversiones, S.L. and Vice Chairman of OCIBAR, S.A.

He previously held the position of director at Firestone Hispania, director at IBM España, chairman of Begano, director at Asturbega y Norbega, vice chairman of IBERDROLA, S.A., director at Barclays Bank, S.A.E., chairman and member of the executive committee at Vocento y Prensa Española and chairman of CASBEGA, S.A, and director at Coca-Cola Iberian Partners.

Annexe V

***Curriculum vitae* of Ignacio Comenge Sánchez-Real**

He is the natural person representing the proprietary director of Ence Mendibea 2002, S.L., which is in turn member of Ence's Audit Committee.

Economist who has held various positions at Banco Hispano Americano from 1973 to 1983 as sub-director of the Foreign Trade Department and director of Large Business Accounts.

Between 1984 and 2002 he held the following positions at MUTUA MADRILEÑA AUTOMOVILISTA: Director of the Financial Area and Vice Chairman of the Board of Directors.

He is currently Chairman at Ball Beverage Can Iberica, S.L.; and Director at COCA-COLA EUROPEAN PARTNERS, plc; EBRO FOODS; BARBOSA & ALMEIDA, S.A., AZORA EUROPA I, SA, Compañía Vinícola del Norte de España, S.A. and OLIVE PARTNERS, S.A. (in the last two companies, the board member is MENDIBEA 2002, S.L.)